THE MAGAZINE OF WALL STREET

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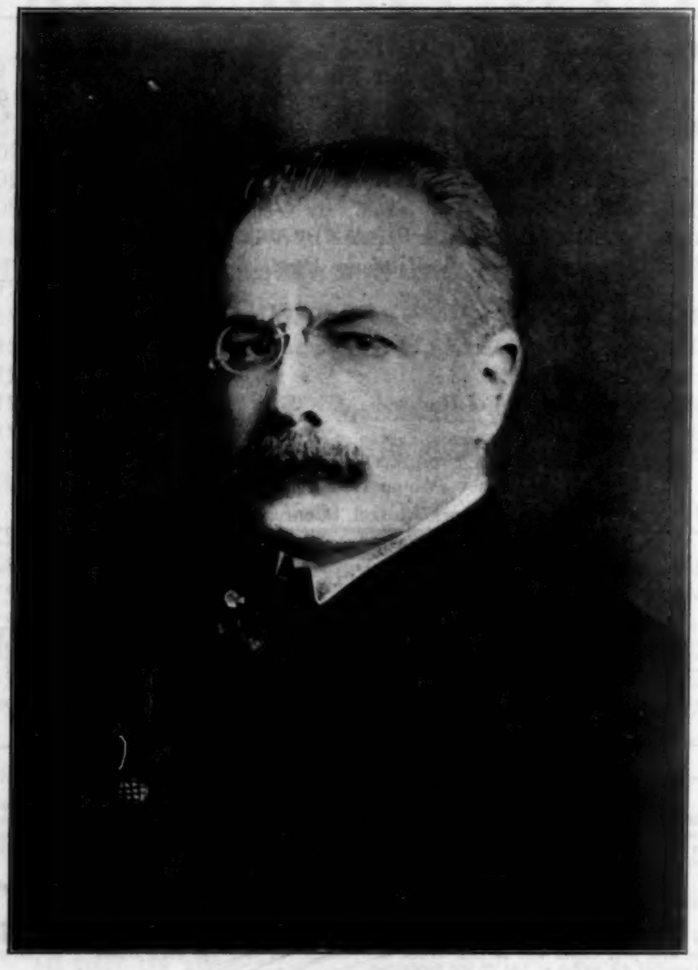

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President Consolidated Gas Company of New York

THE MAGAZINE
OF
WALL STREET

(INCLUDING THE TICKER AND INVESTMENT DIGEST)

Investment: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

Speculation: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

Vol. 9 MARCH, 1912 No. 5

Why the Tape Is a Better Guide Than the News or the Fundamentals

An Address at the Finance Forum, New York City.

By RICHARD D. WYCKOFF.

SPECULATORS in the stock market may be divided into three classes:

First. Those who operate chiefly on what they hear.

Second. Those who work on facts.

Third. Those who base their commitments on supply and demand.

Class One largely makes up the great percentage of *unsuccessful* speculators. These people come down to Wall Street hoping to get something for nothing; they are hungry for tips; they listen to every rumor; and if there is one thing more sought for than any other by this class of traders, it is "inside information."

So far as the news is concerned, there are two kinds: known and unknown.

Known news is what we find on news slips, news tickers, newspapers and the usual run of market letters.

Known news is what *has happened and has been told*. It becomes public property the moment it is printed in Wall Street. News known to everybody is, except in rare cases, of little use to anybody. Yet the great public thirsts for news, talks news and trades on news.

Unknown news consists of important facts in possession of a few insiders. It is the possession of these facts which distinguishes the insider from the public.

The insider works with an incalculable advantage. Reports of earnings, probability of reduced or increased dividends, etc., *must* be known to some one person, or a few, before public announcement can be made. This may take place a few minutes, hours, days or weeks later, according to market conditions and the position of the insiders.

Meantime those who trade on the news which is *known* are simply playing into the insider's hands. For example: The latter part of December Union Pacific was very weak on reported poor earnings for the month of November. Union Pacific officials, we are told, are acquainted with the *gross* earnings for the previous month on or about the 10th of each month; hence all the selling in Union Pacific from the 10th to the

30th was "wise" selling. When the news was actually published the stock hit the lowest point in the decline up to that time.

Presidential messages are known in Wall Street from twenty-four to seventy-two hours prior to the time they appear in the newspapers. This is because the papers are given advance copies of the messages in order that they may have an opportunity to put the matter into type—an operation which takes considerable time. These advance copies are always marked at the top "not to be released until 12 o'clock, noon" (or whatever the hour is) on a certain day. As a trader said to me when the last important message came out, and I told him I had known its contents some days before: "What show has the outsider, who trades on what he reads in the newspapers?"

The insider does what probably you would do if you were in his place. During the interval between his receiving and announcing the news, he telephones his broker and gives his order. This takes but a moment. If he is a big enough factor, some manipulation may accompany his buying or selling; but whether his operations are large or small, there is usually a coterie of associates who act with him or upon his information.

Each of the persons composing this group has his own broker, and each broker his own clientele. It is customary for a broker who sees inside orders coming through, to advise certain of his clients in accordance therewith, without necessarily disclosing the name or the source. For example: The broker will say, "Now, Jones, I want you to buy some of this stock. I can't tell you what I know, but there is excellent buying going on, and if you will take on a little, I believe you will make some money." Thus unknown news becomes the power behind a movement which may attain large proportions before public announcement is made—when the unknown news becomes known news.

However desirable this unknown news or 'inside information" may be, getting it from its original sources is beyond the reach of the average trader. And even if he had "underground" connections with every important source of information in the Street, there would be no certainty that he could always profit thereby. Insiders are often completely surprised and suffer heavy losses on account of an adverse trend of the market, some other and more effective news, an accident or the operations of opposing speculative pools and large individual traders.

One clique may possess a bit of knowledge which, in their opinion, will produce a certain market effect; another group may command greater resources, swing larger lots, diffuse more effective "information." Group One may, therefore, find its efforts futile.

How should we know whom to follow were it possible for us to command information from several of the best sources? Large operators themselves do not know what unexpected circumstance may force them to alter their plans. Assuming that you were posted when to buy, you might not be told when to sell. With his own hundreds of thousands of shares involved, is the insider likely to tell you, so as to save you a loss on your poor little ten shares, one hundred or five hundred shares, particularly when such telling may spread the danger signal and increase his own loss?

Then we must consider the "sentiment" of the Street, which is frequently more powerful than any group of operators. In former years, manipulators able to swing fifty or a hundred thousand shares could practically dominate the market; but in these days of hundred million dollar issues and billion dollar capitalizations, everybody is stronger than anybody. At such times "inside information" is likely to ruin one who follows it in the face of overwhelming buying or selling by the public. In other words, insiders are not invariably correct. It is an old saying that "inside information" will break any one.

The second class of speculators operate on facts; viz., earnings, intrinsic values, the crops, the money situation and other fundamental statistics. They aim to buy when prices are comparatively low, selecting stocks whereon dividends have been consistent and earnings stable over a long period of years.

These people usually take an invest-

ment position by either carrying their securities on a large margin or paying for them in full. Comparatively few work on the short side, although the number is increasing yearly. Insofar as their purchases are made on the basis of intrinsic values, they are more successful than those in Class One. But when they mix with these estimates of intrinsic values, the so-called fundamental statistics, the fundamentals are apt to keep them out or get them in at the wrong time.

A recent issue of the *World's Work* calls attention to the fact that certain gentlemen who make a business of forecasting the market on this basis are not able to agree, and that in some cases they have been fearfully wrong.

If the financial situation could be accurately diagnosed and forecasted by means of fundamentals, it would seem that there should be some harmony of opinion on the part of those who work with this material. But these wide differences apparently prove that some or all of these gentlemen are wrong either in their methods, their premises or in their deductions.

Fundamentals are all right in their way, but they are usually very much in the way of the active trader or even one who operates for the intermediate swings in the market.

I was once a fundamentalist myself. In the spring of 1904, the principal factors showed a heavy balance on the bull side. I therefore bought U. S. Steel common below 9; Union Pacific below 90, and Reading around 45. None of these stocks have been there since. Fundamentals worked in this case, but they will not always work, and any one who makes a business of forecasting the stock market by their aid will find himself wrong at least as often as he is right.

Following are some of the factors which cannot be analyzed or anticipated by means of a study of railroad earnings, crop conditions, the money situation and similar elements: In the first place, fundamentals do not take into account the vitally important factor—manipulation. It is a fact that large operators are able to work the market up and down within a considerable range, regardless of a threatening or promising financial outlook. Insiders also have means of knowing in advance when certain unsatisfactory conditions are to pass away, and their operations are conducted accordingly.

No amount of study in the field of statistics will give one the slightest hint as to Supreme Court decisions, Government prosecutions, stock market object lessons, big shake outs, etc., all of which can take place without fundamentals batting an eye.

You can have all your fundamentals right and draw wrong conclusions; or your conclusions may be correct but one fundamental which you overlook may upset all your calculations.

Then, there are *unknown* factors which *nobody* can analyze. These are continually cropping up and nullifying all those which are known.

During the past six months we have had a splendid exhibition of what political uncertainty will do to the stock market. This is something which no statistician can figure out and no forecaster predict. Such dangers sometimes gather and break in a day or a week, while all other elements remain unchanged.

When a large steel organization is under fire from the Government, and it is necessary to cut prices in order to make a show of competition, the effect upon the Iron and Steel situation is artificial. In other words, the factor of manipulation—manipulation of public sentiment—enters here, and is also more or less incalculable.

A very impressive case of this kind occurred in February, 1909, when, on the announcement of an "open market in steel," U. S. Steel common broke from about 59 to 41¼ amid a tremendous manipulative campaign which shook out the outsider and put the insider in right for the big advance to 94⅞.

Interstate Commerce Commission rulings, Supreme Court decisions and Government prosecutions do not require a financier or a statistician, but a lawyer, to extract their true meaning. The Government may have evidence that the Steel Corporation is illegal, but with all due respect to our friend, Mr. Babson, you cannot "plot" evidence, although there may be evidence of a plot.

Market letters of brokerage houses are practically all based on an analysis of *known* stock market factors. If there is any one person present who has *made and kept* money by following the ordinary run of brokerage house literature, let him now speak.

Newspaper financial articles and "reviews and outlooks"—ditto.

There are newspapers which make a flamboyant display of their financial column, which have great weight with the "lambs," but among discerning people they are noted for a scarcity of ideas and a multiplicity of hollow plays to the gallery. Other newspapers which pretend to delineate the course of finance are noted for their ability to end up with a question, or lead you around in a circle to where you began. Their contemporaries feature the foreign exchange market as though that was of the slightest assistance to any one trading with intent to get a profit out of the fluctuations. If we mention the news tickers and news slips on which the outside public feeds, we will have included all the principal public "sources of information."

Is there not some analogy between the fact that the news and the fundamentals frequently fail to fit and the fact that the public loses? The public is chiefly influenced by newspapers, market letters, news slips and professional advisers in the study of these factors!

One need spend but a few months in Wall Street to find that the movements of the market cannot consistently be reconciled to the news, statistics, earnings, outlook or such other considerations as largely influence the general public. Almost every day we see the market advance on bad news or break in spite of favorable developments.

It is impossible to analyze the effect of a certain situation upon the minds of a million people who are interested in the market, either as investors or speculators.

Wall Street is a great "hopper," into which, all day long, there pours an unceasing stream of news, statistics, decisions, railroad and industrial reports, Government estimates, court rulings, corporation announcements, and last, but not least, rumors and tips.

None of these things in themselves move a single stock so much as an eighth of a point. In order to make this clear, we will suppose that some company of great financial strength, such as Union Pacific, without any warning whatever, be placed in a receiver's hands; if the last sale of Union Pacific were 175, the stock would not decline even to 174⅞ unless somebody sold some of it.

It is not the news, nor the facts, nor the statistics, nor the announcements, that produce the fluctuations, but the *effect* of all these things on the minds of men.

Every order which is executed on the New York Stock Exchange has back of it a reason or a hope or a fear, and all this news and all these facts and rumors and tips which are poured into the "financial hopper" have a certain influence on the minds of traders and investors, causing them (directly or indirectly) to buy or sell. It is, therefore, not the day's or the week's developments, but their *effect on the minds of individuals* which is the underlying cause of the movements in the market.

There is also what we might designate as a "secondary effect"; that is, a certain wave of buying indicated on the tape, encourages others to go in on the long side. There is nothing more suggestive or irresistible than the simple *action* of a stock while undergoing a sharp advance. People say "this stock is going up. Let's buy some of it." This produces what I have called the "secondary effect." People like to follow a crowd.

Then, we must consider the technical position, the attitude of those who manipulate the market and the character of the manipulation. If large interests are holding the market steady at a certain level, their supporting orders will prevent raiding by professionals on the floor and will encourage those who have long stocks to hold them. On the other hand, if this most important class of operators be indifferent to a two, three or five point decline, they lower their supporting orders or reduce the quantities in their scale orders. At such times, bad news, or a weak technical position, encourages floor traders to hammer the market, and this in turn produces selling by outsiders.

Very often the market is left to take care of itself. At such points large operators wish to observe just what it will do without manipulation. The market then demonstrates whether it is technically weak or strong, and gives them a better line on the position of the public.

We frequently notice squibs in the papers to the effect that "the advance in Reading was due to the company's favorable monthly report," or some expression of that kind. You can readily see how impossible it would be for the reporter who writes this paragraph to ascertain just why those who bought and sold during the day, did so. In order to make such a statement with any degree of accuracy, it would be necessary to communicate with each buyer and seller for the day, extract from him the reason why he made the trade and strike a balance. These buyers and sellers may be scattered all over the earth, dealing in one, ten, fifty or one thousand share lots. It is, therefore, absurd to place any reliance on statements that this or that was the cause of the advance or the decline. This not only emphasizes the necessity of taking newspaper reports with a grain of salt, but proves that no one actually *knows* what produces these small advances and declines, although there are a great many people who guess about it.

We, therefore, see that a vital market influence is the mental attitude of buyers and sellers. Also that this mental attitude is an absolutely unknown quantity. J. P. Morgan himself does not know how the Street will take a certain announcement, or what the effect of his buying and selling will be.

Mr. Morgan is a half a million share trader. John D. Rockefeller's commitments run into the hundred thousands of shares. His brother, William, who is more or less withdrawing from the market, formerly swung enormous lines. But none of these great speculative factors, nor all of them combined, are big enough to withstand, beyond certain limits, enormous buying or selling by the speculative public and investors. If these three gentlemen combined swung two million shares, this would represent only $200,000,000 worth of stock, and $200,000,000 nowadays is a very small quantity.

There are certain stages in the great advances and declines where Mr. Morgan knows very well that even were he to buy half a million shares, he might check the decline, but finally he would be swept off his feet. When he does step in to turn the market, it is usually because he knows of certain developments which will change the mental attitude of the public. When the Government recently filed its suit against the Steel Trust, Mr. Morgan followed his purchases by a signed statement that the directors believed the company legally organized and conducted, and that the management would contest any attempt of the Government to force dissolution. This made a very strong impression on public sentiment. The selling pressure was reduced.

But if in one stock market session Mr. Morgan were to buy 500,000 shares, and the public 50,000 shares on balance, and other large speculators were to sell 600,000 shares, the market would decline in spite of the Morgan buying.

This brings us up to the pivotal point in tape reading, which is Supply and Demand.

We all know that this same principle governs all branches of trade, whether manufacturing, railroading or dealing in any of the thousands of different commercial lines.

Let us say that the last sale of Steel was 65, and that the actual market is "65 bid, offered at 65⅛"; then assume that 10,000 shares are for sale at 65⅛. Any one can buy these 10,000 shares at ⅛, then bid ⅛, and the bid price will have been raised by just so much. But so long as the 10,000 shares remain unabsorbed at ⅛, the market will not advance above that level. It is merely a question of Supply and Demand.

(*To be continued.*)

Relation Between Construction and Trade Depression

By GEO. H. HULL.*

ADAM SMITH told the world more than a hundred years ago, in his great work, "Wealth of Nations," that low prices increase consumption and high prices decrease consumption, and the world has accepted this theory as true, in a general way. But business men have observed in recent years that with the return of each era of industrial prosperity, the consumption of building materials increases as prices increase, and that the higher prices go the greater is the volume of construction—this general term being used to cover new buildings, railroads, factories, terminals, ships, docks, tunnels, etc. This has caused many to believe that construction is an exception to this rule.

That this belief has gained ground is not surprising, for the volume of *actual construction increased* during 1899 in the face of an enormous advance in the price of iron, and the same thing occurred in 1902 and in 1906. Also the volume of *actual construction decreased* from a prosperity rate to a depression rate in 1900, in the face of an enormous decline in the price of iron, and the same thing happened in 1904 and 1907. In the three periods of booms and depressions illustrated in the diagram herewith the price of iron commenced to fall from two to eight months before any pronounced decrease in actual consumption, and as cause must precede effect, appearances seem to indicate that the fall of prices was the cause and the decrease in construction the effect.

Here are nine cases which occurred so recently as to be familiar to every business man, each of which appears to squarely contradict the theory of Adam Smith, and to confirm the belief that has grown up in the minds of a large part of the business community.

Let there be no doubt in the mind of anyone as to the prevalence of this belief. If it did not generally prevail, we should not have witnessed the repeated efforts made by producers during the last four years to bolster up the prices of construction materials. It is not only believed by individuals, but for many years it has been a conclusion arrived at by various experts and Government Commissions. The United States Commissioner of Labor, in his report of 1886, after devoting the entire force of the Bureau of Labor for a year, to the investigation of industrial depressions, gives "Falling Prices" as one of the chief alleged causes for these depressions.

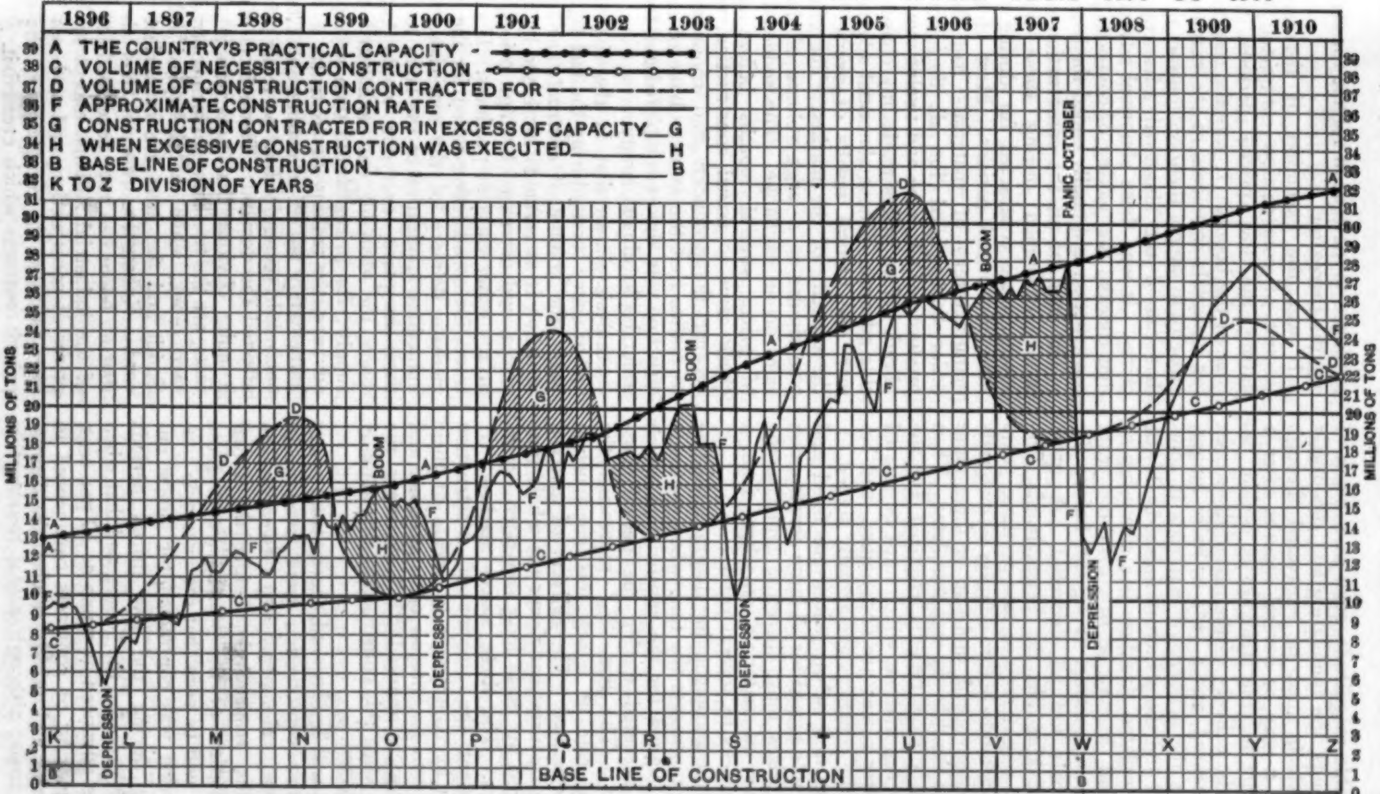
But what is the truth in relation to this matter? To answer this question it is necessary to subject construction to analysis. To do this we will first divide the element of *demand*, into two classes —namely, demand for *immediate delivery* and demand for *future delivery.*

Many articles that are bought and sold are carried in stock by manufacturers and dealers. Everyone being aware of this, such articles are not purchased until they are needed; consequently the demand for these articles is a demand for *immediate delivery,* and the casual observer has become accustomed to see any pronounced increase in the prices of such articles followed by a pronounced decrease in demand, and vice versa. This sequence of events is therefore a constant reminder of how perfectly prices control the consumption of such articles.

In construction, however, it is entirely different, and appearances in this branch of the industries are deceptive, owing to the fact that the demand for construction materials, and their delivery, are not contemporaneous. If, for example, a contemplated structure is of any con-

*Author of "Industrial Depressions," cloth, 287 pp., with diagrams and appendices, $2.95 postpaid. Analysis of their causes, classification, and a practical remedy —Iron as the barometer of trade. For sale by Ticker Publishing Company.

DIAGRAM ILLUSTRATING CONSTRUCTION IN THE UNITED STATES FROM 1896 TO 1910



NOTE.—For the purpose of comparison it may be stated that the principal lines in above diagram were as follows on December 31, 1911: "F," at the 25,500,000 tons per annum rate, and "D," a little above the depression line. Diagram copyright, 1911, by F. A. Stokes Co., publishers of "Industrial Depressions."

siderable magnitude, such as a block of buildings, the foundation and sub-stories for which must be excavated through rock, it may be several months after a contract for the structure is signed, before the delivery of the materials is even commenced, and a year or more longer, before the delivery of materials is completed and the structure finished. If the contemplated structure is a steamship or railroad, it may be two or three years after the contract is signed, before the materials are all delivered. A great undertaking like the Pennsylvania Terminal might require two or three years of excavation before delivery of materials was commenced, and two or three more before the delivery was completed. Then again a long time is required for the many negotiations which must be carried on after prices are first named, and before the contracts are actually signed.

The time when prices are fixed and contracts signed for all large construction enterprises must therefore antedate the delivery of materials, anywhere from a few weeks to several years.

In the accompanying diagram, the line "D," represents the time when contracts were signed for the construction which was executed during the period illustrated. The line "F," represents the actual rate at which this construction was executed. The delivery of material was of course made over the whole time covered by these long separated occurrences. The three spaces marked "G" represent the amount of construction taken by contractors in excess of their ability to execute on contract time, and the spaces marked "H" represent the time when this construction was actually completed.

As will be observed, the contract prices for this construction were fixed about sixteen, eighteen and twenty-seven months, respectively, before the actual completion of the work. From these facts will be seen that the excessive construction was contracted for almost entirely during the low priced periods which preceded the booms, and that when prices advanced as much as 10 per cent. the making of contracts commenced to decrease and quickly reached the depression basis; although *actual construction* continued to increase in volume for many months thereafter.

It was the execution of the large amount of construction contracted for during the low priced periods, that created the booms. It was the contracts for materials in excess of the country's capacity to supply them on contract time, that caused the abnormal advances in prices. It was these abnormal advances that checked the making of contracts for construction and finally ended the booms.

The bulk of all the construction materials consumed during these three booms, were contracted for during the three low-priced periods. Most of the manufacturers of materials had their order books filled for all they could produce for six, nine and twelve months ahead, before prices made any considerable advance. These abnormal advances were the natural results of overselling the capacity of the market. The effect was similar to a large volume of short sales on an exchange. The sudden fall of prices several months before any check came to actual construction, was because the producers had commenced to realize that the extra volume of construction was almost completed and their order books almost empty.

Analysis shows that in the rise and fall of every boom, during the last eighty years, the volume of *contracts for construction* is as certainly increased by low prices, and decreased by high prices, as in any other class of products. If contracts for construction called for the immediate delivery of the materials, and immediate application of the labor to put them in place, everyone would know when the demand had exhausted the supply; for prices would then promptly advance, the making of contracts would immediately fall off in volume and everyone would recognize how perfectly prices affected the demand. These facts make it quite obvious that appearances and facts, are the two things which contradict each other, while the theory of Adam Smith and the facts are in perfect accord. Exhaustive research has shown that no boom has ever developed, in any of the industrial nations, except on low prices of construction, and no boom has ever outlasted the completion of the low priced contracts which created it.

To appreciate the importance of prices, we must realize the importance of construction. Booms and depressions are not caused by abnormal increases and decreases in the volume of business in the necessities of life. The *volume* of business in the necessities of life keeps close pace with the changes in population. Analysis shows that 77 per cent. of the class of products that increase or decrease enough in volume to create booms and depressions, are those which enter into construction. Analysis also shows, that, of the whole volume of construction, about 66 per cent. goes on all the time, through depressions and booms alike. We may say, therefore, that 34 per cent. represents the fluctuations in the volume of construction between booms and depressions.

Now what causes these enormous fluctuations? What carries the construction rate up to line "A" in the accompanying diagram? What pulls it down to the line "C"? This is a question of supreme importance to the industries of the nation, for a careful analysis not only shows that the greater part of our accumulated wealth is in constructed property, but *that our gain in such property during the last sixty years, was confined almost entirely to the eight boom periods which took up only about twenty-nine years of the sixty years;* and that the amount of construction produced during the thirty-one years of depressions was not more than enough to make up for the current wear, tear and destruction of existing property. This is confirmed by the fact that during each boom the large additional volume of new construction so greatly increased the permanent wealth, that it lifted its producing capacity to a new and higher plane. When a depression followed, the capacity did not sink down to the old level, it substantially moved forward on its new level until the next revival, when it took another step forward and attained a still higher plane. This remarkable fact is evidenced by the rate of iron consumption which increased from 500,000 tons per annum to 25,000,000 tons per annum during this sixty years. The entire gain being within the twenty-nine years of prosperity. The thirty-one years of depressions showed absolutely no gain.

Our gain in wealth obviously does not consist in an increase in the necessities of life which we produce and consume from year to year. It consists in what we gain from year to year in the amount of wealth producing construction—such as, houses, stores, factories, mills, public works, railroads, ships, etc., together with the manufactured articles, such as furniture, goods, machinery, cars, locomotives and all the other things which must be provided to equip and operate this additional construction.

Hence the problem of greatest importance must be to determine the exact truth about what checks the making of contracts for construction. This can only be done by turning the searchlight of analysis upon every part of the industrial system.

Years of intelligent and laborious study have been given to the solution of many abstruse questions, such as the distance between the heavenly bodies, while to many of the vital problems affecting the nations progress in wealth and the welfare of its millions of workers, we have allowed ourselves to be deceived by mere appearance which we accept without question or investigation. For example, the laborer thinks his comforts would be doubled if his pay were doubled; the banker thinks "turning too much circulating capital into fixed capital" tends toward industrial depression; the manufacturer thinks over-production is one of the chief causes of depression.

Analysis shows that these beliefs are utter delusions, and that they take form in the minds of men simply in consequence of the almost universal practice of determining the every-day affairs of life by the careless and unreliable synthetic method of reasoning, instead of the laborious and trustworthy analytic method. The synthetic method of reasoning is mere guess work, and grasps only the things which are involuntarily presented to ones mind and eye.

If for example one is asked why it is, that after centuries of slow growth in wealth, the rate of gain in wealth has suddenly increased a thousand per cent., one will almost invariably reply that it is owing to the utilization of steam power; the introduction of railroads; the perfection of the factory system and financial system. These elements cer-

tainly contributed to this growth, but analysis shows that the vital element, without which this wonderful growth would have been impossible, was something which is rarely ever spoken of or written about, simply because it is not constantly presented to the mind and eye.

Analysis reveals everything and the proportions of everything. If intelligently and persistently applied to the industries, it will not only reveal the cause of the recurring periods of prosperity and depression, but will point out a reliable method of preventing these abnormal fluctuations. The natural condition of a nation's business is for all its breadwinners to be at work, earning their livelihood and thus contributing to the production of wealth. When great numbers of competent, willing workers are unable to find employment, it is not the effect of sun spots, periodicity or mental waves, it is because something is wrong with the industrial machinery.

New North and South Lines

Preparations Being Made for Better Railroad Connections to Southern Ports.

IT seems to have been largely the result of chance that our great railroad systems nearly all run East and West. If we imagine that Europe, in the Sixteenth and Seventeenth Centuries when the American colonies were being established, lay where South America lies, we may naturally suppose that most of the railroads would have run North and South. As it is, however, our Southern States have in recent years suffered from disproportionately high rates and inadequate facilities.

The Panama Canal is going to make an important, though, of course, a gradual change. Southern ports, which have so long lagged behind their Northern rivals, will assume an increased importance, and it will be much more necessary for our great Northern and Western railway systems to have con venient outlets in that direction. It is interesting to observe the moves that have already been made toward this result.

In the East, the Pennsylvania System took time by the forelock by acquiring a controlling interest in Norfolk & Western, in addition to its own port of Baltimore, one of the best on the Atlantic coast; but, of course, the N. & W. does not reach Gulf ports on its own rails. Apparently the Canal traffic of the Pennsylvania will be sent via Baltimore or Philadelphia. Business originating west of Pittsburgh, on the Panhandle, will have to go over the Louisville & Nashville, the Illinois Central or Southern Railway.

With the completion of the Western Maryland Railway extension, which is expected within thirty days, the New York Central System will have the shortest haul from Buffalo and Pittsburgh to Baltimore. This is a consummation most devoutly to be wished, and may be looked upon as an important move in that new and more aggressive Vanderbilt policy which is now getting itself talked about—and which is also devoutly to be wished. Like the Pennsylvania, however, the Central will have no special Southern connections west of the Alleghanies, unless it is somehow combined with the Harriman Lines and Illinois Central—an ambitious programme which is probably still in the realms of fancy.

Chesapeake & Ohio has been working from the other end, having already a convenient Southern port at Norfolk. Its recently obtained connecting roads to Chicago and the Lakes will place it in a strong position as regards Ohio Valley business. The Baltimore & Ohio already

finds itself somewhat similarly situated.

In the West, the Burlington is building short connecting links in Wyoming and Colorado which will give the Hill system a fairly direct route from the Far Northwest to Galveston over the Colorado & Southern, which is already controlled by the Burlington. An increasing business from Colorado, Nebraska, South Dakota, Wyoming and Montana will find an outlet over this route, and through business from Washington is, of course, possible.

The Wyoming connection, 66 miles in length, is already graded and awaiting rails. An appropriation of $1,000,000 has been made to build the Colorado connection of 29 miles, to be completed in six months. Denver is expecting shops and car building plants as a result of the new through line, Seattle to Galveston.

With the Illinois Central in the Mississippi Valley and the Southern Pacific on the west coast, the Harriman System is better equipped for north and south traffic than most of its competitors. It is rumored that Union Pacific will build into Vancouver, which is growing with startling rapidity with the development of Western Canada. Whether the rumor is true or not, it would be a logical move.

Another rumor is that the Burlington will extend a line south into Kentucky from St. Louis. Some time ago it bought the Herrin Southern, a small bituminous coal road which connects the Burlington in Illinois with Metropolis, which is just across the Ohio River from Paducah. An electric line south from Paducah has recently been acquired by interests believed to have the Burlington behind them. This is a small beginning, but it doesn't take much of a hook to hang a railroad yarn on.

Of course people will expect too much and too soon from the Panama Canal. It will take some years to bring out the full effect on the world's commerce. Doubtless the first feeling will be one of disappointment. But these preparations by the big systems for reaching Southern ports show that they have confidence in the gradual but increasing development of north and south traffic.

Men and Methods.

IN a narrow market a two-point move looks as big as a house and it is often refreshing to see these members of the American Tobacco family jump around two, three or five points at a clip. But there are times when such violent fluctuations have their disadvantages—when you are trying to get in or out.

On the day American Tobacco common was listed a Tape Reader, who had been bemoaning the inactivity of the leading stocks, saw Tobacco begin to move, and when the quotation 254¼ appeared, gave an order to buy 25 shares.

He wanted a flyer. He got it.

But the trouble was they wouldn't let him on till the aviation exhibit had started.

After his order went in the tape reported 100 at 255, 100 "sold" ot 254¾, 100 at 254¾, 100 at 255.

Five, ten minutes went by, punctuated by numerous kicks. "Why don't you report?" But nix on the report. Another ten minutes—still nothing doing.

Then, twenty minutes after the order went in, the ticker whirred out a sale at 260, and promptly came the message, "Bought 25 Tobacco at 260¼."

"I won't accept that, the highest I'll pay is two fifty-five and an eighth or a quarter," he stormed.

No use. The floor broker phoned back that the order hadn't arrived on the floor till after the last sale, at 255, and if he didn't want the stock at 260¼ he could cancel the trade.

"All right," was the disgusted reply, "cancel it."

Next day Tobacco reached 287—27 points up.

Thus did he get it going and coming.

Effect on Wall Street of Aldrich Plan

What is Good for the Whole Country is Good for Wall Street.

By WILLIAM C. CORNWELL

THE rank and file of Wall Street have accepted the Aldrich Plan and endorsed it in their own minds, without much study thus far of its details and working, but because the best, sound, economic and practical judgment has declared it to be thoroughly good and efficient as a basis for a high-class system of banking and currency in the United States.

Probably very many of the Stock Exchange people have not considered in what special way the plan, when put in operation, will affect Stock Exchange business, but have been content to take what comes, on the ground that what is good for the whole country generally, is good for Wall Street.

The fact as to the Aldrich plan is that it would deprive Wall Street of one of the factors which it has relied upon in its great bull speculations, either to get them started or to pour oil upon the flames to produce a roaring bonfire. The factor referred to is the great pool of unemployed money which accumulates in some bulk, periodically in the months before the crop-moving period, and in certain years piles up even abnormally beyond its ordinary dimensions. The result of all this has been heretofore to foster unwise and in some cases the wildest kind of speculation.

ESTABLISHING A DISCOUNT MARKET.

When the Aldrich plan gets into practical operation all this will be changed, and this because one of the most importan results of its adoption, if not, in fact, the most important and far-reaching in its operations, will be the creation of a discount market, or rather of conditions in the paper market, which will make a discount market possible. This will be brought about by allowing banks to accept commercial time drafts, and these bank acceptances being of the highest class of credit-instruments known, will be eagerly sought after by bankers and investors and will absorb large amounts of floating capital seeking temporary employment.

The immense advantage to the whole country of this reform in our system is perhaps appreciated by only a comparatively few people. Banks in this country facilitate business mainly by discounting the notes of their customers, for which they give them cash or credit on account. The notes thus bought by the banks are kept in their vaults until due and tie up just this amount of the resources of the bank. There is no place where the bank can sell these notes in case it wishes more cash to discount for other people, for the reason that the notes have only a local value and no one outside or at the money centers is willing to buy them. It is true, the bank may have some of its paper rediscounted by its New York or Chicago correspondent, but for some reason or other this has come to be considered a disgraceful operation, and banks abhor to see the item "bills rediscounted"

on their published statements, as it is regarded as an indication of weakness on the part of the bank's management.

The notes given by merchants and others throughout the country are a promise to pay on the part of the maker, to the fulfillment of which promise he is devoting every energy of his business life, and these notes, in fact, are the best commercial assets that the country has, but because the standing of the makers is unknown (except in a very limited degree), the notes have no going value.

The Aldrich plan provides that instead of discounting its customers' notes, the bank may, if it chooses (and if the character of the maker is such that he is certain to pay), accept his draft on the bank at one, two or three months. For this the bank would make a charge of, say, ¼ of 1 per cent., or more. The obligation is still upon the customer to pay, and he must and will see that the bank has his cash in hand to meet the acceptance when it becomes due. So that the high character of the notes as commercial assets is still maintained in the bank-acceptance, as back of each one a good business man is working to see that it is paid at maturity.

The customer may take this acceptance made by the bank and send it down to the money center and have it discounted at a very low rate.

BANK ACCEPTANCE VERSUS A MERCHANT'S NOTE.

An acceptance by a bank is a very different thing from the note of a merchant. It will be bought and purchased at the lowest prevailing rate, in the discount market (a market created by the very fact that high-character obligations are there offered for sale), where the funds of the whole world flow in and will be available, eager to buy up such prime paper. Thus a large part of the assets of the banks of the country, now frozen in their own vaults because nobody outside of a limited radius knows anything about their values, becomes available practically in the markets of the world.

This magic touch, transforming immovable masses of rigid and unavailable material into the highest form of credit obligations, instantly serviceable because salable at a moment's notice, furnishes the country with the most perfect fortification against panic, provided always that the operation is linked with a great central office like the Reserve Association, which is ready at any moment to give in exchange for these discounts a practically unlimited amount of cash, if needed.

As has been said, the funds which would form our new discount market are at the present time in the shape of idle money seeking temporary employment and unable to find any really substantial method for use. These funds run into large idle bank balances, which have only Wall Street loans to depend upon when immediate convertibility into cash is required.

EBB AND FLOW AUTOMATICALLY CONTROLLED.

The demands of business at certain seasons of the year for large amounts of cash (for instance, in moving the harvest), which amounts are later on realized upon and then become unemployed, create conditions in this country of alternate strain and plethora, peculiarly disturbing to the smooth conduct of commercial operations. Idle funds accumulate in the spring and summer at the money centers, especially New York, and are the basis of more or less unwarranted speculation. Our method of issuing bank notes against bond security aggravates this operation in that an unwieldy mass of notes has been accumulated without any adequate or automatic method of retirement.

These funds, flowing out rapidly in the fall to the Western and Southern country to move the crops, reduce reserves in New York, and often seriously cramp loans. Being fixed in volume, they return again with a rush when the harvest season is over.

Under the Aldrich plan, notes will not remain in fixed and rigid volume, but will be issued by the National Reserve Association, and will stay out only as long as needed in legitimate business operations. Depositing them with the Reserve Association after they have done their work through the country automatically retires them and they are kept from swelling the channels of dangerous speculation.

This check to unnatural swelling volume would also happen under the Aldrich plan to the idle funds of the country, which expand our bank deposits everywhere in certain years and eventually accumulate in New York. Heretofore, as above noted, these vast accumulations of unused funds have furnished the basis for extended, and sometimes reckless speculation, and are thus a distinct evil.

In times of strain and distrust, such funds are withdrawn suddenly, and the whole structure, beginning with the security market, collapses.

ACCUMULATIONS OF CASH WITHHELD FROM WALL STREET.

Under the operation of a discount market supplied with ample offerings in the shape of bank acceptances, great accumulations of money would be withheld from Wall Street speculation, where they are at present employed in loans on collateral Stock Exchange security, and would be used to buy up the prime bank-acceptances, which have been described.

Under these circumstances, it is perhaps to be wondered at that Wall Street, so-called, favors the Reserve Association plan, which would deprive it, at times, of a large part of its working capital; but wild speculation in Wall Street, the result of these idle accumulations under a defective banking and currency system, is distinctly detrimental to business there. The money flows in and produces abnormal ease, but at signs of danger it is suddenly withdrawn, producing great disaster. The operation is a constant source of danger to the New York banking community, which, although it profits by heavy deposits, at times, suffers in the same ratio from sudden withdrawals.

Whatever prominence New York obtains as a great banking center, and undoubtedly the immense accumulations which naturally drift here under the present system make it so, this leadership is accompanied with such enormous responsibility as makes it a source of constant anxiety and danger. The strain upon New York in 1907 is a recent illustration of the undesirable and really insufferable character of this responsibility. Underneath the flowing river of riches is an explosive mine, which in certain circumstances is liable unexpectedly to blow up, scattering disaster everywhere.

The result of this abolition of great but inconstant gatherings of idle funds in New York will be, then, to curtail reckless speculation, but Wall Street will benefit by the stability of supply, and through the whole country's banking system being placed on a sound basis for the first time, the business of real investment will increase immeasurably.

New Stock Exchange Rule

Full Commissions on All Put and Call Deliveries

HERETOFORE the rule in regard to delivery of stocks on puts and calls has been that a broker putting through this form of contract must charge full commission for the amount of stock received or delivered, but acceptances or deliveries on the last day of the contract, which became cash transactions, were looked upon as mere transfers and not subject to the commission, being considered practically nothing but clearances.

The Governing Committee of the Stock Exchange passed a new rule covering this point February 14. It carries still further the policy entered into a year ago of shutting all loopholes through which the payment of full commissions of one-eighth of 1 per cent. by outsiders might be dodged. This rule applies the full one-eighth commission to all acceptances or deliveries on puts and calls, whether on the last day of contract or at any other time.

The trade in puts and calls is not officially recognized by the Stock Exchange, but members may indorse such contracts if they desire.

Consistency as a Stock Market Factor

By WILLIS T. HOLDEN.

THE most important factor to success in the stock market, or out of it, is consistency—sticking to one idea, going over your mistakes when that idea fails, elaborating it, and finally perfecting it.

One reason why there are so few successes, in any branch of endeavor, is because, after a man finally discovers some particular way of doing a thing, he is not content to stick to that one idea and work it out, but as soon as it fails in a single instance, he turns to something else which may at the time appear better. When this second plan breaks down he tries still another theory, and so on until in the end he has made no progress because he has merely dabbled on the surface of things.

Very few persons have the patience to perfect themselves. They want to do the things which "come easy," when the truth of the matter is that only after you perfect a thing does it become easy.

So it is with most novices in Wall Street. They think it is easy money. It looks so from the outside. If they could realize that speculation is one of the most difficult of sciences—for it is a science, in the same sense that statistics and economics are called sciences—traders would put more time and study into the subject before they risked their capital.

I have had occasion to come intimately in contact with a number of new traders coming to New York to make money in the market, and on talking with them I found they knew little or nothing about actual conditions.

A large percentage of them believe that all they have to do is to hunt up a good brokerage house and ask the broker to put them into a good trade. They spend their time about the Street discussing stocks which they lately only knew through the newspapers, and forming ideas as to future possibilities from gossip in customers' rooms, usually given out by people who know about as much as they do. And it is astonishing with what faith they will accept these opinions and discard their own.

The reason is that most people are really too lazy to think out their own salvation, hence they accept the gratuitous ideas of their neighbors. Why should they try to work anything out when they can get it for nothing? Moreover, in some instances this information may work out as expected, and then the new trader will follow it with increased confidence—until it goes wrong. He lacks confidence in his own ability, and is willing to accept another's ideas, since he is not sure of his own. No wonder his own ideas are uncertain—he has made no serious effort to work them out and develop them.

To be consistent does not necessarily mean to stick to your own ideas entirely and reject all suggestions given by others, but it does mean that the only time the suggestion should be accepted is when it fits in with or improves your own plans. If another's ideas do not agree with yours, instead of saying, "I believe his ideas are better than mine," and eliminating your own; or, "I am sure that I am right and he is wrong," which does not give you a chance to grow—suppose you take the ideas presented by this acquaintance, and compare them with your own plans, figures and reasoning, and see if they do not add something to what you have already worked out. In this way you perfect your own method of working. When you adopt some new plan it is merely as an adjunct to your original idea, and when you discard a theory it is because you find it weakens your method.

Each person has an individual way of doing a thing, which may not prove at all satisfactory to others. Stick to your own way, develop it, eliminate its weaknesses, adding each new idea to it only after you have tested it and found that it will harmonize with and improve your method. Only after you have worked the plan out successfully as a whole will you be able to look back at the labor you have put in and wonder why you did not see it before, it looks so easy.

It has often been said that success is nine-tenths work and only one-tenth genius. This should prove to you that you have as good a chance to succeed as the next man. It is more often the plodder that wins, and not the brilliant, erratic man who is born with a restlessness which causes him constantly to change. It is only when such a man conceives a purpose which leads him to push every act to completion, that he becomes a success.

I doubt if any literature would be more useful to the average trader than Emerson's essay on "Self Reliance." The investor may well avail himself of all helps to higher knowledge, all expert opinions which go to complete and strengthen his grasp of the situation, all new methods which he can master and make his own. But he must remain true to himself. He must cultivate, not that "foolish consistency" which is "the hobgoblin of little minds," but the sane and well-considered consistency which makes all added knowledge supplementary to an established and growing accumulation of acquired skill.

Bond Department

How Bond Houses Protect Investors.

By "THE BOND MAN."

AN average investor reading what seems to him a comparatively simple advertisement in his morning newspaper or perusing a bond house circular mailed to him has only a faint appreciation of the amount of labor involved in the production of either and the solicitude for his protection that the compiling of those facts and figures represents.

The printed information about the bond presented is but a small part of the actual amount brought together by the bond house, although it represents the quintessence of the voluminous data that generally exists in the files of the house.

A little study of the average bond advertisement brought out by the most reliable houses makes it plain that some serious consideration must have been given to many details before so concise a statement of the salient features of the offering could be presented.

Literature on any bond investment that meets the standard of the best houses deals with all the vital points that every investor should know. Wide-awake investors can and do check up the various points presented by comparing circulars on similar offerings and make comparisons wherever possible. From this practice the investor who thinks for himself to any considerable extent may soon learn what he should ask about and look for when presented with an offering.

There are many bond buyers who are totally unaware of the fact that months frequently elapse between the time when a proposition is first presented to a house and the final presentation of the bond to the public. From three to six months of examination of a project is common while some extend for even greater periods of time. One of the large underwriting banking houses in New York spent practically an entire year working up the details of an offering of bonds on a large railroad system.

It should be said that in this case a year was not necessary to ascertain the facts governing the position of the bonds. They were almost instantly available, for nearly everything about our railroads today in this country is to be learned through the records and reports that are rendered periodically to the Interstate Commission.

This house took occasion, however, to spend this long interval in developing the details of its transaction with the railroad and in building up around the securities which it was to take a substantial structure of protection for its clients.

It is not usual for any house to linger over an issue of securities for so long a period inasmuch as in many instances there must be expeditious handling of the proposition if the house is to catch the right market conditions for successful flotation, but the character and thoroughness of the study and consideration evinced in this instance was typical of much other issuing houses.

There flows into the office of a live bond house an endless stream of good, bad and indifferent propositions ranging all the way from one, say, of developing a supposedly good mine of zinc or lead or copper to the underwriting of a substantial block of high grade securities on a first-class railroad.

The process of culling these out to separate the wheat from the chaff is not always so simple as it seems. There are manifestly many schemes that come into the hopper of a house that on their face are unsuited to the consideration of the house or if suitable in character do not offer the prospects of success that their promoters are sanguine of.

It may be said that a good proportion of them get no further than a presentation to the house. Judgment based upon experience is passed instantly on these. This is not to say, however, that the judgment of one house affects the ac-

ceptance of the project by another. It may be that the first house to which it was presented would gladly accept but there may be difficulty in marketing the securities on such a project among its own clients or even in getting its associated houses and connections to accept of underwriting in the scheme.

Once, however, the house has regarded the offering favorably it sets the machinery of investigation moving in many directions.

The house that values its reputation to the highest degree always emphasizes thoroughness as its watchword in studying the whole question. The fidelity of examinations and analysis cannot be too precise—the more so because the great mass of investors depend so greatly upon the judgment and integrity of the bond house, not knowing often what questions to ask as to the safety of the proffered investment nor how to appreciate the various points brought out in a prospectus.

Investigation of a property proceeds along three general lines—physical, financial and commercial. Into a study of the first obviously there enter many points. It is only necessary to consider some from among the broad variety of securities—such as real estate, railroad, public service, industrial, coal mining, lumber, shipping, to appreciate that a house must be prepared to gather very comprehensive data before it may safely underwrite any substantial block of securities. Here the progressive house inaugurates a line of examinations that may disclose early whether or not further work is desired and whether there is any likelihood that the proposition will be finally accepted.

With the presentation of a proposition there are, of course, numerous accompanying papers. A good part of them deal with this matter of the physical condition of the property. However complete they may appear and however candidly they may seem to set forth the condition of the company's properties they are not sufficient to carry through the acceptance of the financing. The bond house should and usually does work out an independent examination, sending its own engineers, expert appraisers and examiners. The independent report gives the foundation stone upon which to build. It happens occasionally that these independent reports, while not condemnatory, are anything but flattering. More than once has a house sent a second examiner over the property to serve as check upon the first. The average of their reports may be reasonably regarded as a safe guide. The first report would have turned the project down. The mean between the two makes it acceptable and is a fair basis.

Akin to this examination of the physical condition of the aspects of the property is the commercial side of the matter. There are so many considerations that enter into this side of the question that all minds combine to put together facts and figures indicating the company's position, and if it be an industrial, in the presentation of its business outlook. Manifestly economic conditions generally have to be dealt with in looking at the subject from this angle. The character of the business, the stability of demand for its product and the degree with which this latter will cause the margin of safety to fluctuate all enter into the situation. The bond house that carries its analysis to the finest degree works out a reasonable perspective from its light on these questions. Next to general conditions affecting the marketing of the product come other specific conditions to examine that have a particular bearing on questions commercial.

Co-incident with the development of the physical aspect of the property under examination and a consideration of its commercial history and prospects there are prepared for the house under its independent procedure and generally by an acknowledged firm of accountants complete statements bearing on the financial position of the company. The statements prepared and presented by the company's own auditing staff may seem complete and fully lucid but there is always the possibility, especially if the business be not one that has been carried on under a standardized system of accounts, that the company's viewpoint and the expert accountants' viewpoint may differ on many things. Not many months ago this very situation arose in the discussion leading to some proffered underwriting of a substantial block of securities. The

result was that disagreement as to what should be considered the results of various figures brought negotiations to a standstill and the business was declined.

The combination of all company and independent reports, appraisals, etc., upon which the critical eye of a banking house is focussed in considering an underwriting is the rock foundation upon which the superstructure of an issue of bonds is usually based so that the name of the house attached to the offering especially where the record of that house has been without reproach is reasonable assurance to the investor that what he is asked to buy has been taken in the first instance by the bankers only after their best judgment has been exercised and every precaution for his safety and security has been adopted.

Bond Notes and Inquiries

Trend of the Bond Market.

THE last month has been filled with encouragement for the sellers of bonds and was somewhat of a signal to the shrewd bond buyer to pick up many issues now if he would hope for a profit in his purchases over the next few months. Enormous flotations of bonds have appeared, indicating in a measure that many investors appreciated this fact and that corporations were seizing this psychological moment to gather in funds for their capital uses. There was a marked tendency for moneyed institutions to take on good-sized issues, especially where the return was fully one per cent. over the rates for money and the bonds were of high quality. The keynote of the month was, of course, money rates. Institutions and private investors took on bonds paying them better than money rates. Some corporations, knowing well that stagnant money markets do not last more than a very few months at a time, financed themselves for a long time ahead.

Recent Bond Offerings.

Mexican Petroleum Company, of Del., 6 per cent. bonds, $4,000,000. A holding company for a number of the best oil properties in Mexico which have large oil reserves. Properties appraised by well-known authorities at far in excess of total bond issue. Earnings of combined properties for several years show large margin of safety over charges. About half of the bonds sold in London. Company has $12,000,000 8 per cent. preferred stock and $36,000,000 common stock. Company now said to be earning 5 per cent. on its common stock. Bonds were offered around 97½ by William Calmon & Co.

Pacific Gas & Electric Company 5 per cent. bonds, $20,000,000. A utility company serving a large area in and about San Francisco with gas and electricity. Statements and figures on the property indicate that the bonds are a high-class public utility security. They were offered at 92½ to return the investor about 5½ per cent. Offered by Harris Forbes & Co. and N. W. Halsey & Co.

Chicago, Rock Island & Pacific Railway Company 5 per cent. debentures, $20,000,000. They are a direct obligation of the railroad mentioned, which is a good property and the foundation of the so-called Rock Island system. Company has paid dividends of 5 per cent. for 12 years. Company has very substantial margin of earnings applicable to the payment of interest on these new bonds. They were offered at 97½ to return about 5.20 per cent. Offered by Speyer & Co.

Inquiries.

Is the statement that the record of equipment trust bonds is nearly perfect correct? —J. S.

Yes. There has been practically no default on issues of this class even when the specific roads were in their worst condition. The absolute necessity that exists for a road to hold its equipment practically compels payment of interest on these bonds. It may be said that so far as the public are concerned the record is practically clean.

Kindly suggest a list of high-grade investment bonds netting 5 per cent. or better, where safety of principal and interest is the essential feature suitable for a widow's investment.—T. B.

Notwithstanding the fact that the tendency is for high-grade bonds suitable for investment of this character to sell on a constantly increasing income basis, the price readjustment has not yet gone quite far enough so as to make possible a general choice of such issues. In order to invest such funds to net 5 per cent. or better a great deal of care should be exercised. If a firm of reputable bankers were to recommend any bonds selling on such an income basis a choice from among these would be more easily made.

How would you invest about $25,000 in bonds so as to get a fairly large degree of safety with an income average of about 5 per cent.—L. R.

The simplest way, perhaps, is to take up, say, 12 bonds yielding around 4.25 per cent., another 6 bonds returning about 4.60 per cent., all of which could be obtained to show a very high degree of safety, and then finish up the lot by taking up some yielding well over 5 per cent. The average rate would thus be brought to 5 per cent. and with a strong consideration of safety.

In the newspapers and magazines discussing investments there frequently appears the expression "business man's investment." Will you please state what is meant by this?—INQUIRER.

There are many medium-grade bonds which have only a moderate amount of risk for which this phrase is used. It is generally assumed that a person in active business keeps in touch with financial and commercial affairs to such a degree that he is able to judge fairly well of the value of a security. Further, the expression is used to indicate that the risk involved is no greater or less than the average man in active business may reasonably take.

Distribution of Securities

OUR people are becoming more and more a nation of investors, which is a factor of prime importance that most assuredly merits attention in any long-range view of the market for Stock Exchange securities. It is merely axiomatic that the greater the number of holders of securities there are in a country the greater is the influence in a purely representative government, such as our own, against legislation that is calculated to prove injurious to the corporations whose securities are held in a nation-wide manner.

When the fact is mentioned, therefore, that in the 234 large railroads and industrial corporations whose official returns have just been published, there has been an addition of practically 65,000 new shareholders during the year 1911, the importance of the statement will readily be appreciated. These large figures represent an increase of 7%; and the fact is also significant that the increase is not to an important extent traceable to the issuance of new capital by the corporations in question; for while the books of the companies show an increase of 7% in the number of shareholders, the new stock issued during the year amounts to less than 1½%.

In the list of corporations referred to 91 are railroads. In these the year's list of stockholders has increased 29,275 in number, which is equal to 8%; and the average of holdings, per stockholder, has been reduced from 148½ shares per individual a year ago to 139½ shares per individual at the present time. Taking the list of 143 industrial corporations who have furnished reports it is found that the average of holdings per individual has been reduced from 94 to 89⅜ shares. When we consider the large blocks of securities that are held by financial concerns as investments and for others, and then look at the small figures representative of the average holdings, the thought almost becomes startling what a tremendous number of small investors there must be throughout the country to counteract these large holdings. In the 234 railroad and industrial corporations under consideration there are virtually a million names on the transfer books—to be exact 980,399. Who, after viewing these figures, shall say that we are not becoming a nation of money savers?—*W. E. Hutton & Co.*

How They Trade

SOME months ago a man came here from out of town. He had been very successful in his calling, which was that of a real estate operator. In reality, he was a panic player; that is, by a careful study of conditions and the use of ordinary common sense, he had been able to foresee the important changes in these conditions during the past two decades, and his operations were conducted accordingly.

When the outlook favored a depression he turned everything into cash, and while others were seeking their cyclone cellars, he bought at ridiculously low prices. When the boom came, he sold out and put his money in the bank at a small rate of interest. Working this operation several times back and forth resulted in his accumulating a very considerable amount of money.

Settling in New York, he naturally gravitated toward Wall Street. The possibilities in the stock market attracted him and he figured that by applying the same principles which he had used in his real estate operations, he could make a great deal of money with far less trouble.

About the time of his initial venture a man of wide experience in the stock market got hold of him and said: "Now, you do not know this game. You admit that you have got to learn it, and just for your own protection, I want to say that you can learn it to far greater advantage and with less possibility of serious loss, if you will operate in ten-share lots. I have seen a great many people come down here with a wad of money and lose it all before they learned the rudiments. You do not want to be placed in that position; your capital should work for you, but if you lose your capital you will have to work for *it* again. Study up all available literature first, then begin by trading in small lots. It is not how much money you can make on your initial operations, but whether you can make more points profit than points loss for a period of two or three years. While you are thus learning, a panic may come along and your funds will all be in liquid shape for cash purchases. These will pay you very handsomely and need not, in any sense, interfere with your speculative operations."

Thanking his friend for the advice and realizing the value of it he went away. But he did not trade in ten-share lots. He started with hundreds, and before long had several hundred shares. He made some money on the short side of stocks and then being attracted by the heavy decline in cotton, went in on the bear side and cleaned up several thousand dollars. He made the same mistake as the majority, and the very one which his adviser guarded against by suggesting the use of small lots; that is, he overtraded heavily and after the rally which followed the big break in both cotton and stocks, he one day said: "I have lost several thousand dollars, but I've learned a lot about it."

The important fact about this man's method and one which he admitted himself, was that he could have learned just as much about the principles of speculation, but perhaps not so much of its dangers, by dealing in the small lots which were recommended.

The old adage "Experiénce is the best teacher," applies to every other individual except the one who says it. We must profit by our mistakes, not let them discourage us. Losses are valuable for what they teach.

In his case the losses have resulted in a complete change in the methods which he will follow. This, we have no doubt, will lead to his ultimate success.

Monthly Net Earnings

Returns of Principal Railroads Down to Latest Dates Available.

		Current month.	Change from last yr.	Fiscal yr. to date.	Change from last fisc. yr.	Stock Outstanding (in millions). Pref.	Com.
Atch., Top. & S. F.	Dec.	$2,995,969	—$208,219	$18,574,608*	—$1,900,585	144	169
Atlantic Coast Line	Dec.	1,231,247	+37,627	4,653,923*	+209,612	...	57
Balt. & Ohio	Dec.	2,084,704	+556,762	14,863,594*	+1,498,157	59	152
Boston & Maine	Dec.	681,454	+377,843	5,953,328*	—77,337	3	39
Buff., Rochester & Pitts.	Dec.	248,333	—39,663	1,595,658*	—273,717	6	10
Can. Pacific	Dec.	4,105,730	+819,196	24,470,248*	+1,854,540	61	180
Central of Ga.	Dec.	417,925	—49,217	2,347,587*	+94,466	None	5
Central R. R. of N. J.	Dec.	1,596,300	+55,072	7,193,862*	+603,836	None	27
Ches. & Ohio	Dec.	1,017,665	+119,335	6,004,282*	+18,170	...	62
Chic. & Alton	Dec.	201,909	—59,835	1,902,206*	—8,591	19	19
Chic., Burl. & Quincy	Dec.	2,568,355	—9,832	16,744,288*	—363,857	None	110
Chic. Great Western	Dec.	283,054	—6,144	1,916,637*	+54,039	40	45
Chic., Mil. & St. P.	Dec.	1,693,967	+484,029	9,347,419*	—672,761	116	116
Chic. & Northwestern	Dec.	1,670,611	+111,728	12,089,051*	+29,410	22	130
Cleve., Cin., Chic. & St. L.	Dec.	733,300	+91,307	8,192,523†	+1,265,138	10	47
Colorado & Southern	Dec.	450,365	—176,345	2,843,190*	—530,786	1st, 8; 2d, 8	31
Delaware & Hudson	Dec.	861,350	+175,210	8,645,131†	+450,170	None	42
Del., Lack. & Western	Dec.	1,256,848	—52,726	7,590,602†	—51,213	None	30
Denver & Rio Grande	Dec.	465,449	—101,743	3,294,272*	—706,968	49	38
Erie	Dec.	1,083,622	—153,506	8,523,895*	—22,692	1st, 47; 2d, 16	112
Great Northern	Dec.	2,255,675	+244,117	18,549,604*	+2,808,087	209	None
Hocking Valley	Dec.	195,348	+59,106	1,504,675*	—118,967	None	11
Iowa Central	Dec.	59,139	—8,863	395,572*	+6,105	5	8
Illinois Central	Dec.	617,503	—1,009,046	4,512,976*	—3,545,760	None	109
Kansas City Southern	Dec.	257,021	—72,309	1,699,080*	—341,289	21	30
Lake Erie & Western	Dec.	108,033	—1,512	1,125,200†	—91,033	11	11
Lake Shore & Mich. So.	Dec.	1,709,561	+833,172	17,282,419†	+2,783,141	None	49
Lehigh Valley	Dec.	946,333	+12,547	6,818,518*	+62,630	...	60
Long Island	Dec.	46,499	—6,718	2,006,855†	+204,100	None	12
Louisville & Nashville	Dec.	1,475,594	—97,986	9,279,601*	+535,733	None	60
Michigan Central	Dec.	737,960	+74,236	9,237,551†	+1,171,642	None	18
Minn. & St. Louis	Dec.	62,060	—28,218	530,007*	—262,514	4	7
Minn., St. P. & S. S. Marie	Dec.	524,215	+281,813	3,882,980*	+1,289,744	12	25
Mo., Kansas & Texas	Dec.	602,889	—166,460	3,752,807*	—965,033	13	63
Missouri Pacific	Dec.	1,228,663	+507,138	6,178,675*	—41,163	None	83
National Rys. of Mexico	Dec.	2,492,366	+265,135	14,797,311*	+1,557,394	1st, 57; 2d, 240	149
N. Y. Central	Dec.	2,281,335	+650,782	29,482,284†	+3,652,893	None	222
N. Y., Chic. & St. L.	Dec.	364,702	+85,304	3,237,810†	—171,411	1st, 5; 2d, 11	14
N. Y., N. H. & H.	Dec.	1,962,823	+506,607	12,219,680*	+498,237	None	157
N. Y., Ont. & Western	Dec.	129,277	—21,835	1,288,762*	—256,306	None	58
Norfolk & Western	Dec.	1,164,141	+182,615	7,429,823*	+588,697	22	82
Northern Pacific	Dec.	2,250,304	+427,960	15,107,886*	—197,964	None	248
Pacific Coast	Dec.	74,121	—12,986	768,620*	—142,946	1st, 1; 2d, 4	7
Pennsylvania R. R.	Dec.	2,893,939	+821,292	37,432,950†	—1,836,985	None	453
Pere Marquette	Dec.	353,298	+48,152	2,407,434*	+242,262	12	16
Pitts., Cin., Chic. & St. L.	Dec.	725,282	+131,410	9,478,646†	+350,999	27	37
Reading	Dec.	167,327	+17,597	994,816*	+112,229	1st, 28; 2d, 42	70
Rock Island	Dec.	1,595,500	—346,762	9,727,379*	—1,446,551	49	90
Seaboard Air Line	Dec.	540,189	—63,449	2,875,206*	—85,385	23	37
St. L. & San Fran.	Dec.	1,229,200	+111,126	7,577,921*	+458,513	1st, 4; 2d, 15	28
St. L. Southwestern	Dec.	420,606	+70,589	2,103,831*	+286,931	19	16
Southern Pacific	Dec.	3,006,715	—716,595	23,234,815*	—2,237,551	None	272
Southern Railway	Dec.	2,007,024	+106,333	10,967,280*	+388,939	60	120
Texas & Pacific	Dec.	653,113	+463	3,891,008†	—211,954	None	38
Toledo, St. L. & Western	Dec.	85,980	+4,361	502,163*	—92,317	3	20
Union Pacific	Dec.	2,205,225	—630,419	19,362,418*	—2,525,303	99	216
Wabash	Nov.	523,639	—182,472	3,501,580*	—747,931	39	53
Western Maryland	Nov.	181,777	—2,380	1,052,765*	—128,161	10	49
Wheeling & Lake Erie	Nov.	219,823	+64,326	1,288,174*	+265,077	1st, 4; 2d, 11	20
Wisconsin Central	Nov.	194,627	+23,264	1,177,405*	+106,664	11	16

*Fiscal yr. ends June 30. †Fiscal yr. ends Dec. 31.

THE BARGAIN INDICATOR

Comparative Earnings of Important Stocks

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table only. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

RAILROADS

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Hocking Valley com........	6	9.9	11.2	6.0	8.3	18.2	18.5	125	14.8	Very inactive. Controlled by Ches. & O.
Colorado & Southern com..	2	3.5	4.5	4.8	4.9	7.3	5.2	44	11.8	Controlled by C., B. & Q. (Hill management).
Denver & Rio Grande pfd..	0	8.1	9.1	7.7	6.6	8.3	4.7	41	11.5	Controls and finances W. Pac., wh. doesn't earn fxd. chgs.
Southern Railway com......	0	1.9	—0.6	—2.2	0.5	2.3	3.1	28	11.1	
Lehigh Valley com.........	10	18.2	20.0	19.2	15.4	23.0	16.5	157	10.5	Jan., 1912, ex. div. 10%, and rights eq. abt. 8%.
Kansas City Southern com.	0	0.3	5.4	2.6	3.4	2.2	2.7	26	10.4	
Twin City Rapid Tran. com.	6	8.1	8.2	8.3	9.9	10.9	11.0	106	10.4	
Union Pacific com.........	10	14.2	16.5	16.2	19.1	19.2	16.6	165	10.1	Holds $307,106,000 secur. of other cos.
Atlantic Coast Line........	7	10.8	6.3	5.6	9.4	12.0	12.8	136	9.4	Holds control of Louisville & N. by stock ownership.
Louisville & Nashville.....	7	10.6	10.7	7.5	14.3	17.3	14.2	153	9.3	Controlled by Atl. Coast Line.
Southern Pacific com......	6	8.1	12.5	7.4	10.2	13.0	9.6	108	8.9	
Atchison	6	11.8	15.0	7.7	12.1	8.9	9.3	104	8.9	
Reading com.	6	13.9	13.0	12.7	13.2	16.1	13.8	157	8.8	Including additions and betterments. Controls Jersey Cen.
Brooklyn Rapid Transit....	5	4.8	4.4	4.1	4.2	5.6	6.8	78	8.7	Subways will doubtless enlarge earnings eventually.
Norfolk & Western com....	6	9.7	9.0	7.1	8.7	11.6	9.0	109	8.3	Controlled by Penna.
Erie com.	0	2.2	3.0	—3.7	0.3	2.9	2.5	31	8.1	Actual earngs. before approp. eq. 3½%.
Rock Island Co. pfd.......	0	....	....	....	....	1.6	3.8	49	7.8	R. I. Co. owns 94% of stock of R. I. Lines.
Buffalo, Roch. & Pitts. com	5	8.6	8.7	6.2	6.3	7.3	8.0	104	7.7	Pfd. and com. share equally above 6%.
Pennsylvania Lines	6	11.7	10.7	9.0	11.0	9.3	....	122	7.6	Has paid divs. since 1856.
Illinois Central	7	....	....	8.4	7.4	7.1	10.3	136	7.6	Div. paid since 1863.
Canadian Pacific	10¼	14.1	13.7	10.6	8.6	16.0	17.3	231	7.5	Div. 1911, 7% R. R., 3¼% land sales, rights eq. about 8%.
Mo., Kansas & Texas com..	0	1.8	5.0	0.4	0.7	0.8	2.0	27	7.4	
Delaware & Hudson........	9	12.6	15.2	12.4	12.2	12.5	....	174	7.2	
Chesapeake & Ohio.........	5	7.3	5.4	4.4	6.4	10.0	5.1	71	7.2	1911 earns. reduced by Chicago Exten.
Northern Pacific com......	7	14.5	15.1	12.8	10.7	9.0	8.2	117	7.0	Large equities in lands and C., B. & Q.
Chic., Mil. & St. Paul com.	5	12.3	10.5	9.5	7.2	8.0	7.1	104	6.8	
Baltimore & Ohio..........	6	12.6	9.9	5.1	7.1	8.9	6.9	102	6.8	
Great Northern pfd........	7	13.0	11.8	7.1	8.3	8.5	8.3	130	6.4	Has large equity in C., B. & Q. and Canadian extensions.
Del., Lack. & Western....	20	22.2	38.5	40.8	52.8	35.4	....	557	6.4	"Other inc." reduced acct. segregation Coal Co.
Pittsb., C., C. & St. L. com	5	8.6	8.8	7.2	9.8	6.1	....	104	5.9	Controlled by Penna Co. Pfd. and com. share above 5%.
N. Y. Central.............	5	4.6	6.2	5.1	7.7	6.4	....	110	5.8	Recently red. div. to 5%.
Chicago & Northwest'n com	7	14.8	12.7	11.2	11.4	7.7	8.0	142	5.6	
N. Y., Ontario & Western.	2	2.0	2.8	2.6	2.3	2.3	2.0	37	5.4	
Chicago Gt. Western pfd..	0	....	....	....	....	1.2	1.9	35	5.4	
N. Y., New Haven & Hart.	8	12.2	9.2	5.4	7.4	10.3	7.1	139	5.1	Dividend reduction under discussion.
St. Louis S. W. com.......	0	—2.7	3.7	—4.2	—2.5	—1.1	1.4	32	4.4	
Minn., St. P. & S. S. M. com	7	11.7	9.6	8.4	8.8	15.7	5.3	132	4.0	Pref. and com. share above 7%. Contr. by Can. Pac.
Clev., C., C. & St. L. com.	0	4.1	3.1	0.4	4.8	2.1	....	55	3.8	
Minneapolis & St. L. pfd..	0	10.4	7.8	2.7	—2.4	1.9	1.9	51	3.7	
Chicago & Alton pfd......	0	4.9	9.0	6.5	8.2	5.4	0.6	51	1.2	Contr. by Tol., St. L. & W.
Western Maryland com....	0	....	....	....	....	0.9	0.4	58	0.7	New extension will expand earnings.
Missouri Pacific	0	8.1	9.9	3.7	1.3	3.3	—6.3	40	0	Deficit chiefly due to adjustments old claims.
Lake Erie & Western pfd..	0	3.1	2.0	—2.0	0.8	—0.2	....	33	0	Controlled by Lake Shore.
Iowa Central pfd.........	0	4.2	7.8	3.8	—4.1	—0.4	—0.3	27	0	Controlled by Minn. & St. L.
Wabash pfd	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	Now undergoing reorganization.
Wisconsin Cen[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Leased to M., St. P. & S. S. M. (Can. Pac. system).

Preferred stocks earning more than the per cent. to which the dividend is limited, but now

Lake Erie & Western pfd..	0	3.1	2.0	—2.0	0.8	—0.2	....	33	0	Controlled by Lake Shore.
Iowa Central pf.........	0	4.3	7.8	3.8	—4.1	—0.4	—0.3	27	0	Controlled by Minn. & St. L.

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 2d pfd...............	0	19.4	24.9	—22.1	6.4	24.3	21.7	41	52.9
Erie 1st pfd...............	0	10.4	12.3	—3.4	6.1	12.1	11.2	51	21.9
St. L. & San Fran. 2d pfd.	0	13.2	24.7	1.6	8.2	5.8	9.3	40	20.8
Southern Railway pfd.....	2	8.7	3.8	0.7	6.0	9.6	11.1	73	15.2
St. Louis S. W. pfd.......	4	2.8	7.9	1.6	2.9	4.1	6.1	71	8.6

INDUSTRIALS

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Bethlehem Steel pfd......	0	5.1	10.8	2.4	5.3	13.4	....	60	22.3	
Am. Locomotive com.......	0	17.7	18.1	11.1	—3.1	1.3	7.3	33	22.1	
Railway Steel Spring com.	0	8.7	8.6	—1.3	5.3	6.0	....	28	21.4	
Am. Beet Sugar com......	5	2.1	1.0	4.2	7.0	7.3	10.9	55	19.8	
Am. Malt Corporation pfd.	4	2.8	—4.0	10.6	6.2	3.0	8.8	49	17.9	
Pressed Steel Car com....	0	17.2	13.3	—5.8	7.7	5.5	....	31	17.7	
Westinghouse Electric com.	0	....	....	....	....	7.6	12.3	71	17.3	
Am. Agri. Chem. com.....	4	4.1	6.2	6.1	7.2	10.4	9.1	59	15.4	
Inter. Harvester com.....	5	5.1	6.5	7.8	17.8	14.8	....	106	14.0	
Am. Car & Foundry com..	2	4.5	20.1	23.8	2.6	6.6	7.1	51	13.9	$600,000 set aside for com. divs.
U. S. Realty & Imp.......	5	4.8	6.0	7.7	9.2	9.7	9.4	68	13.8	Controls Geo. A. Fuller Construction Co.
Nat. Enam. & Stamp. com.	0	1.7	6.7	—2.1	1.1	1.7	1.8	14	12.9	
Republic Iron & Steel com.	0	3.8	8.5	2.0	0.7	4.6	2.5	20	12.5	
Colorado Fuel & Iron com.	0	1.7	0.9	0.4	2.1	4.0	3.2	26	12.3	Pfd. in arrears an amt. equal to 4% on com. for 1 year.
General Chemical com.....	6	7.3	5.7	4.5	14.4	15.6	15.5	137	11.3	5% stock div. 1912.
Sears, Roebuck com.......	7	6.6	8.5	4.5	18.4	20.5	17.0	150	11.3	In 1911 paid a 33⅓% stock div.
Union Bag & Paper pfd...	4	7.3	7.0	7.4	6.2	5.4	5.5	51	10.8	In arrears on 7% cum. div.
Distillers' Securities	2	6.4	7.8	1.5	2.3	2.3	3.1	29	10.7	Holds maj. U. S. Ind. Alcohol.
General Electric	8	11.7	11.6	10.2	7.4	16.7	....	158	10.6	
U. S. Steel com...........	5	14.4	15.7	4.0	10.5	12.3	5.9	60	9.8	
International Paper pfd...	2	8.9	7.2	7.3	2.7	4.5	5.3	56	9.5	6% cum. div. in arrears. Earn. last 6 mo., 1911, 4.6%.
Pittsburgh Coal pfd.......	5	8.1	10.0	1.7	3.0	7.2	....	79	9.1	Divs. in arrears.
Corn Products pfd........	5	....	7.2	8.5	8.2	6.9	7.0	78	9.0	Div. cumulative and in arrears.
Am. Smelt. & Ref. com...	4	10.6	12.8	7.0	7.7	7.1	6.3	72	8.8	
Am. Linseed pfd..........	0	....	....	....	5.8	4.5	2.6	31	8.4	
People's Gas Light & Coke.	7	6.9	7.6	8.4	8.9	9.0	8.9	107	8.3	Ordinance reducing pc. of gas being contested in courts.
Am. Woolen com..........	0	3.5	—3.3	—3.9	5.2	2.2	....	27	8.1	Subject to tariff adjustments.
National Lead com........	3	5.3	6.0	5.8	6.2	4.3	....	54	8.0	
North American	5	3.2	4.7	4.8	6.0	6.2	....	78	7.9	
American Can pfd........	5	5.1	6.4	6.6	6.7	6.8	7.1	92	7.7	Cumu. divs. in arrears. Chgd. deprec'n, 1911, $2,500,000.
U. S. Cast Iron Pipe pfd..	0	14.0	14.7	5.4	1.2	4.4	3.9	51	7.6	
Pacific Coast com.........	6	10.1	10.3	5.7	5.3	8.8	7.2	95	7.6	Com. and 2d pfd. share equally above 4%.
Inter. Steam Pump com...	0	....	3.7	2.0	1.4	2.8	2.1	29	7.2	
Am. Tel. & Tel...........	8	8.2	9.0	10.1	9.0	10.0	....	141	7.1	Large equities in sub. co. earnings.
Utah Copper (par $10)....	30	....	5.9	23.3	29.5	34.6	39.7	$57	7.0	
National Biscuit com......	7	7.1	7.6	8.1	7.4	7.7	9.8	146	6.7	Business good in bad times.
Western Union	3	5.9	5.0	1.7	5.8	5.7	5.4	84	6.4	Controlled by Amer. Tel. & Tel.
Tennessee Copper (par $25)	6	16.5	16.0	6.5	6.8	8.9	....	$36	6.2	Income chiefly from sulphuric acid.
Amalgamated Copper......	2	5.9	9.2	4.3	2.4	3.9	3.9	65	6.0	Controls Anaconda and other Butte and Mex. mines.
Pullman	8	14.7	11.6	9.8	10.9	11.6	9.3	159	5.8	
Va.-Carolina Chem. com...	3	4.8	5.9	3.7	7.1	10.4	3.1	54	5.7	Outlook favors cotton oil dept.
Consolidated Gas (N. Y.)..	6	....	3.9	4.9	6.7	7.4	7.6	139	5.5	
Sloss-Sheffield com.	0	5.3	9.9	4.9	6.6	2.0	....	41	4.9	
U. S. Rubber com.........	4	4.1	4.4	0.2	4.0	7.8	2.2	46	4.8	
Am. Sugar Refining com..	7	....	12.4	7.5	3.9	3.8	....	119	3.2	Recently placed on div. basis.
Am. Hide & Leather pfd..	0	1.9	2.2	—0.1	11.2	—5.6	0.5	21	2.0	1910 earns. after deprec'n and var's settlements.
Am. Cotton Oil com.......	2½	3.8	8.7	3.2	10.4	6.8	—1.2	48	0	Last div. passed. Low price cotton favorable.
Pacific Mail	0	1.4	0.7	—2.1	—1.7	—1.1	—1.0	32	0	Contr. by So. Pac. Panama Canal should inc. earnings.
Am. Steel Foundries......	0	5.9	14.0	0.3	0.1	6.1	—0.7	29	0	
Central Leather com......	0	0.4	0.4	1.3	6.3	—2.1	....	18	0	1911 earnings are 14 mos. Fiscal year changed.

Financial and Investment Prospects

Considered In the Light of a Brief Review of Industry Since 1893.

By SYDNEY ASHTON BONNAFFON.

THERE was a panic in 1893 followed by three years of very severe depression. Mills, factories and shops were shut down, and men by the thousands were thrown out of employment. Hard times prevailed such as had not been seen since 1885. The cost of living, which had previously been high, now fell rapidly. Average commodity prices (Bradstreet's Index) fell from $7.7769 in 1892 (average for the year) to $6.4346 for the year 1895.

Saving among the people, which had for years been small, now started on the increase. Saving became as popular a "fad" as spending and luxurious living had been during the "boom" years preceding. Thus, we see that the percentage of loans to deposits of the New York clearing house banks, which in 1892 had been 99.93 per cent (December), had now fallen through saving and business contraction to 86.18 per cent. in 1894 (December). Importations of foreign goods fell from $840,000,000 in 1892 to $676,000,000 in 1894. The class of importations to suffer were articles of a luxurious nature.

It is interesting to note that religious interest among the people, which during the prosperous years of 1890-1-2 had been at a comparatively low ebb, jumped rapidly in the panic year of 1893 and continued high throughout the three following years of depression (1894-5-6). The statistics of the Congregational churches are available to us and bear out this point in an interesting manner. The total new church members averaged approximately 50,000 yearly for the four prosperous years of 1889-90-91-92. The panic year (1893) increased the total new members of this branch of the Christian church by 7,000 and the yearly average for the panic year and the three following years of depression (1894-5-6) was 58,000—showing how religious interest, saving, economical living, etc., all occur simultaneously, and are brought on by industrial depression, which is in turn brought on by previous extravagant living, absence of saving, growth of individual indebtedness, slack religious interest, etc.

We find by following back the industrial and financial history of this country, as well as the histories of European countries, that the characteristics I have mentioned occur not at haphazard, without rhyme or reason, but in distinct periods. For example, a people will: (1) Save, live economically, through fear, for several years. (2) Gradually spend more, live better, through a gradual dissipation of this fear, for several years. (3) Live extravagantly, squander savings on luxuries, for several years, or until previous savings are exhausted. Then before this people can once more have prosperity and good times they must necessarily have depression and hard times. For one is essential to the other. During the period of hard times the money is saved or fuel is gathered with which to spend or burn during the period of prosperity to follow.

During the period of panic and depression (1893-4-5-6) the cost of living was low because of the comparatively slack demand for necessities as well as luxuries on the part of the masses, resulting naturally from saving and economical living. The severity of the times had weeded out unsound and questionable enterprises. Migration from city to country had stimulated the production of staples and reduced the consumption of luxuries *per capita*, thereby gradually building up a large foreign trade balance in our favor.

Thus we find the year 1897 ushered in with all the sound economic principles of living on the credit side of the ledger. A second panic and depression would

have been impossible simply because all had been liquidated. There was no dizzy height from which to fall. We were, so to speak, at rock bottom. Consequently, as the year progressed and as the spectre of fear grew fainter, the people took heart and, while continuing their conservative mode of living, looked with more hopefulness upon the future and showed a desire to be more liberal in expenditures. Thus the year 1898, despite the Spanish-American War, proved to be a fairly prosperous one.

In 1899 and 1900 the volume of business throughout the country continued to increase, with the percentage of profit per unit of volume large and confidence general. We find, however, that as prosperity had been increasing so had the interest in religious matters on the part of the people been decreasing. Thus, the total new church members which, as before stated, had averaged for the panic and depression years (1893-4-5-6) 58,000 now had fallen to 48,602 for the year 1900.

The years 1901 and 1902 were years of great industrial expansion. The security markets, which had been advancing steadily since 1896, now became wild in their upward career. The volume of stock transactions was tremendous and the listings of new securities had not been equaled before nor has it since. It seemed as if the appetite of the investing public was insatiable. Promoters were unable for a time to turn out new issues fast enough to supply the demand. No proposition, however extreme, failed to receive attention. It was not to be wondered at, therefore, that the public stumbled, in its mad rush to borrow and buy, spilling part of its unwieldy load of stocks into the panic of 1903.

The truth of the matter was the savings of the years 1894-5-6 were now about exhausted and while the year 1904 witnessed some temporary saving and business contraction, yet the years 1905-6 were years of wild industrial boom, inflation and overexpansion of the enterprises promoted in 1901-2. Hand in hand with this industrial "joy ride" went the steady growth of luxurious living by all classes. A climax was reached shortly, however, when our medium of exchange refused to expand with expanding industry, thereby precipitating the panic of 1907.

The year 1908 showed a temporary halt in these conditions, but it proved temporary only, for the "sunshine" parties with their "Everything is O.K." motto soon had people living about as extravagantly and as thoughtless of the future as before. Taft's election in November was the signal for the upward movement. "Boom" years were now becoming as common as "depression" years had been twelve years before. In September, 1909, when Union Pacific had been marked in nineteen points in two weeks, and Steel common reached 94⅞ from 44 the same year, surplus deposits had disappeared, England had refused to give us any more credit, and far-seeing men saw that the end had come, that the "night before" was over and the "day after" about to dawn, that man had at last reached the end of his folly, and that time and experience in the next chapter of financial and industrial history were to teach him the wisdom of the blessed medium.

In 1910, although expanding but little industrially, the country had a fairly prosperous year. I say fairly prosperous because, while the volume of business was large, the profit per unit of volume was small owing to the high cost of maintenance. It is interesting to note that in 1894 the cost per mile of railway maintenance in the United States was $4,255 while for the year 1910 the per mile cost was $7,764. In other words it costs nearly twice as much to maintain a railroad now as it did sixteen years ago.

The high cost of living, which is, in a way, the result of "high living," is largely responsible for the social and political restlessness and discontent of the past two years. It is this high standard of living which must be lowered before we may feel that underlying conditions are becoming sound. We find that the simplest working people now must have the choicest cuts of meat, the best foods, a variety and an abundance thereof, clothes in style, etc. People who in 1896 kept their homes without a servant now have one, two or three. It has been so long since we had a real industrial depression that the younger generation, who were then too young to understand

it, and the older generation, who now remember it but vaguely, have lost the last vestige of fear of its possible return. Hence the length of time between two great crises or periods of severe depression is approximately the length of time between human wisdom and human folly. For human wisdom is the remembrance of past experience and the profitable use thereof, while human folly is the forgetfulness or ignorance of its laws and teachings.

OUTLOOK FOR THE CURRENT YEAR.

Upon examining statistics which reflect the condition of general industry throughout the United States, we find that the year 1911 made a new high record in the volume of business transacted. Bank clearings excluding New York were higher than ever before. Gross earnings of railroads maintained their almost steady advance of the past fifteen years. The production of pig iron was but slightly under the high record of 1910. Labor was continuously employed at a high average rate of wage. In other words, more people traveled over the railroads, more freight was shipped, more commodities (staples as well as luxuries) were consumed than ever before.

Thus we see that, while business men here and there have been complaining about industrial conditions, their complaints are hardly justified, inasmuch as they compare the present period with the "boom" times which have lasted, with but two short interruptions, since 1896, a period of fifteen years—times which it is unreasonable to suppose can continue indefinitely. Hence the dissatisfaction expressed in the arguments of business men seems not to be because the country has not expanded, but that it has not expanded in the last two years at as rapid a pace as has prevailed since 1896. In other words, the country seems at last to be out of breath and a little tired.

The question now is, What are we to expect during the coming two, three or four years? In view of the conditions which an examination of the present economic structure seems to show us—what industrial tendency may we conservatively look for? What of the current year?

These questions are not hard to answer broadly, simply because the economic characteristics of the times can be translated in but one way, namely, a moderation in the tremendous rate of industrial expansion which has characterized the past fifteen years. What does this mean to the manufacturer, to the business man, and to the employee? What does it mean to the banker, to the investor, and to the speculator?

The manufacturer and the business man should watch collections closely, cut expenditures wherever possible, institute rigid economies, and increase the volume of work and demand greater efficiency per laborer or salaried employee. The wholesaler and retailer should pay attention to staple lines rather than goods of a luxurious nature.

The wage-earner who depends for his employment upon the prosperity of the country should save what money he can so that he may be prepared for a lower wage scale or possible loss of employment.

The banker should discriminate against questionable collateral, particularly realty mortgages. The trend of population from country to city has always been greatly lessened during this business ebb or down-hill of the industrial cycle, and real estate is likely to experience substantial changes during the next two or three years. Collateral such as stocks and bonds should also receive more than usual attention. Industrial stocks and bonds, stocks and bonds of non-dividend-paying railroads, and all speculative or questionable enterprises should be discriminated against in favor of standard, well-seasoned railroad securities of long standing and conservative management. It must not be lost sight of that many of our large industrial corporations have been born and raised in the "flow" period of the industrial cycle and have not yet lived through a depression now only remembered and spoken of as hard times of the "old-fashioned" sort.

The investor should aim to invest only in standard bonds and preferred stocks of conservatively managed railroads. Government and municipal bonds will come into greater favor as time goes on.

The speculator, because of the fact that security markets discount in a gen-

eral way the approach of industrial changes considerably ahead of time, may find it rather late to take any general advantage in a speculative way of the coming depression. For while the outlook suggests a material decline, yet it will probably be the last one for some time to come, and, as was the case in the late summer reaction, the stock market is likely to become quickly "oversold" on any outward appearance of a panicky undertone.

Therefore, while it is advisable for the professional speculator to reduce his holdings of speculative securities for the present, it is equally important that he recognize a coming change in the popularity of certain classes of securities. The recognition and understanding of this change will be as necessary to profitable speculation as will the correct forecast of the "average" trend.

Questionable mining ventures, speculative industrial stocks and bonds, non-dividend paying railroad stocks, as well as all highly speculative enterprises, should be left severely alone. On the other hand, low interest bearing "gilt-edged" railroad bonds and preferred stocks, which have for so long been a source of loss to the investor, may at the present time be purchased with considerable confidence. Such purchases should show material profits when capital, liquidated from declining industry, seeks employment, considering safety first and yield afterwards. For the last few years the desire for a high rate of income has caused the old gilt-edged 3½ and 4 per cents to decline. The time is coming, however, when the necessity of considering safety before yield will be recognized. Then capital will leave the questionable and speculative for the safe and sound, consequenting a demand and rise in value for securities recognized as "gilt-edged."

In conclusion I might say that, while the outlook for the coming spring and summer is not encouraging, it should worry no one who is willing to prepare for its unforeseen contingencies. The suggestions I have made are conservative ones and if followed will prepare those who, in the rush of daily business duties, have neither the time nor the means of studying business and financial conditions deeply.

Railroad Receiverships

THE following is the record of roads put into the hands of receivers during the past thirty-six calendar years:

	No. of roads.	Miles.	Bonds and stocks.
1876	42	6,662	$467,000,000
1877	38	3,637	220,294,000
1878	27	2,320	92,385,000
1879	12	1,102	39,367,000
1880	13	885	140,265,000
1881	5	110	3,742,000
1882	12	912	39,074,000
1883	11	1,990	108,470,000
1884	37	11,038	714,755,000
1885	44	8,836	385,460,000
1886	13	1,799	70,346,000
1887	9	1,046	90,318,000
1888	22	3,270	186,814,000
1889	22	3,803	99,664,000
1890	26	2,963	105,007,000
1891	26	2,159	84,479,000
1892	36	10,508	357,692,000
1893	74	29,340	1,781,046,000
1894	38	7,025	395,791,000
1895	31	4,089	369,075,000
1896	34	5,441	275,597,000
1897	18	1,537	92,909,000
1898	18	2,069	138,701,000
1899	10	1,019	52,285,000
1900	16	1,165	78,234,000
1901	4	73	1,627,000
1902	5	278	5,835,000
1903	9	229	18,823,000
1904	8	744	36,069,000
1905	10	3,593	176,321,000
1906	6	204	55,042,000
1907	7	317	13,585,000
1908	24	8,009	596,359,000
1909	5	859	78,095,000
1910	7	735	51,427,500
1911	5	2,606	210,606,882
Total	724	131,839	7,632,560,382

But for the embarrassment of the Wabash system the record of 1911 in respect to receiverships would have been the least important in a decade.—*Dun's.*

The Psychology of the Stock Market

IV—Confusing the Present with the Future—Discounting.

By G. C. SELDEN.

IT is axiomatic that inexperienced traders and investors, and indeed a majority of the more experienced as well, are continually trying to speculate on past events. Suppose, for example, railroad earnings as published are showing constant large increases in net. The novice reasons, "Increased earnings mean increased amounts applicable to the payment of dividends. Prices should rise. I will buy."

Not at all. He should say, "Prices *have risen* to the extent represented by these increased earnings, unless this effect has been counterbalanced by other considerations. Now what next?"

It is a sort of automatic assumption of the human mind that present conditions will continue, and our whole scheme of life is necessarily based to a great degree on this assumption. When the price of wheat is high farmers increase their acreage because wheat-growing pays better; when it is low they plant less. I remember talking with a potato-raiser who claimed that he had made a good deal of money by simply reversing the above custom. When potatoes were low he had planted liberally; when high he had cut down his acreage—because he reasoned that other farmers would do just the opposite.

The average man is not blessed—or cursed, however you may look at it—with an analytical mind. We see "as through a glass darkly." Our ideas are always enveloped in a haze and our reasoning powers work in a rut from which we find it painful if not impossible to escape. Many of our emotions and some of our acts are merely automatic responses to external stimuli. Wonderful as is the development of the human brain, it originated as an enlarged ganglion, and its first response is still practically that of the ganglion.

A simple illustration of this is found in the enmity we all feel toward the alarm clock which arouses us in the morning. We have carefully set and wound that alarm and if it failed to go off it would perhaps put us to serious inconvenience; yet we reward the faithful clock with anathemas.

When a subway train is delayed nine-tenths of the people waiting on the platforms are anxiously craning their necks to see if it is coming, while many persons on it who are in danger of missing an engagement are holding themselves tense, apparently in the effort to help the train along. As a rule we apply more well-meant, but to a great extent ineffective, energy, physical or nervous, to the accomplishment of an object, than analysis or calculation.

When it comes to so complicated a matter as the price of stocks, our haziness increases in proportion to the difficulty of the subject and our ignorance of it. From reading, observation and conversation we imbibe a miscellaneous assortment of ideas from which we conclude that the situation is bullish or bearish. The very form of the expression "the situation is bullish"—not "the situation will soon become bullish"—shows the extent to which we allow the present to obscure the future in the formation of our judgment.

Catch any trader and pin him down to it and he will readily admit that the logical moment for the highest prices is when the news is most bullish; yet you will find him buying stocks on this news after it comes out—if not at the moment, at any rate "on a reaction."

Most coming events cast their shadows before, and it is on this that intelligent speculation must be based. The movement of prices in anticipation of such an event is called "discounting," and this process of discounting is worthy a little careful examination.

The first point to be borne in mind is that some events cannot be discounted,

even by the supposed omniscience of the great banking interests—which is, in point of fact, more than half imaginary. The San Francisco earthquake is the standard example of an event which could not be foreseen and therefore could not be discounted; but an event does not have to be purely an "act of God" to be undiscountable. There can be no question that our great bankers have been as much in the dark in regard to some recent Supreme Court decisions as the smallest "piker" in the customers' room of an odd-lot brokerage house.

If the effect of an event does not make itself felt before the event takes place, it must come after. In all discussion of discounting we must bear this fact in mind in order that our subject may not run away with us.

On the other hand an event may sometimes be overdiscounted. If the dividend rate on a stock is to be raised from four to five per cent., earnest bulls, with an eye to their own commitments, may spread rumors of six or seven per cent., so that the actual declaration of five per cent. may be received as disappointing and cause a decline.

Generally speaking, every event which is under the control of capitalists associated with the property, or any financial condition which is subject to the management of combined banking interests, is likely to be pretty thoroughly discounted before it occurs. There is never any lack of capital to take advantage of a sure thing, even though it may be known in advance to only a few persons.

The extent to which future business conditions are known to "insiders" is, however, usually overestimated. So much depends, especially in America, upon the size of the crops, the temper of the people, and the policies adopted by leading politicians, that the future of business becomes a very complicated problem. No power can drive the American people. Any control over their action has to be exercised by cajolery or by devious and circuitous methods.

Moreover, public opinion is becoming more volatile and changeable year by year, owing to the quicker spread of information and the rapid multiplication of the reading public. One can easily imagine that some of our older financiers must be saying to themselves, "If I had only had my present capital in 1870, or else had the conditions of 1870 to work on today!"

A fair idea of when the discounting process will be completed may usually be formed by studying conditions from every angle. The great question is, when will the buying or selling become most general and urgent? In 1907, for example, the safest and best time to buy the sound dividend-paying stocks was on the Monday following the bank statement which showed the greatest decrease in reserves. The markets opened down several points under pressure of liquidation, and standard issues never sold so low afterward. The simple explanation was that conditions had become so bad that they could not get any worse without utter ruin, which all parties must and did unite to prevent.

Likewise in the Presidential campaign of 1900, the lowest prices were made on Bryan's nomination. Everyone said at once, "He can't be elected." Therefore his nomination was the worst that could happen—the point of time where the political news became most intensely bearish. As the campaign developed his defeat became more and more certain, and prices continued to rise in accordance with the general economic and financial conditions of the period.

It is not the discounting of an event thus known in advance to capitalists, that presents the greatest difficulties, but cases where considerable uncertainty exists, so that even the clearest mind and the most accurate information can result only in a balancing of probabilities, with the scale perhaps inclined to a greater or less degree in one direction or the other.

In some cases the uncertainty which precedes such an event is more depressing than the worst that can happen afterward. An example is a Supreme Court decision upon a previously undetermined public policy which has kept business men so much in the dark that they feared to go ahead with any important plans. This was the case at the time of the Northern Securities decision in 1904. "Big business" could easily enough adjust itself to either result. It was the uncertainty that was bearish.

Hence the decision was practically discounted in advance, no matter what it might prove to be.

This was not true to the same extent of the Standard Oil and American Tobacco decisions of 1911, because those decisions were an earnest of more trouble to come. The decisions were greeted by a temporary spurt of activity, based on the theory that the removal of uncertainty was the important thing; but a sensational decline started soon after and was not checked until the announcement that the Government would prosecute the United States Steel Corporation. This was deemed the worst that could happen for some time to come, and was followed by a considerable advance.

More commonly, when an event is uncertain the market estimates the chances with considerable nicety. Each trader backs his own opinion, strongly if he feels confident, moderately if he still has a few doubts which he cannot down. The result of these opposing views may be stationary prices, or a market fluctuating nervously within a narrow range, or a movement in either direction, greater or smaller in proportion to the more or less emphatic preponderance of the buying or selling.

Of course it must always be remembered that it is the dollars that count, not the number of buyers or sellers. A few great capitalists having advance information which they regard as accurate, may more than counterbalance thousands of small traders who hold an opposite opinion. In fact, this is a condition very frequently seen, as explained in a previous chapter.

Even the operations of an individual investor usually have an effect on prices pretty accurately adjusted to his opinions. When he believes prices are low and everything favors an upward movement, he will strain his resources in order to accumulate as heavy a load of securities as he can carry. After a fair advance, if he sees the development of some factor which *might* cause a decline —though he doesn't really believe it will —he thinks it wise to lighten his load somewhat and make sure of some of his accumulated profits. Later when he feels that prices are "high enough," he is a liberal seller; and if some danger appears while the level of quoted values continues high, he "cleans house," to be ready for whatever may come. Then if what he considers an unwarranted speculation carries prices still higher, he is very likely to sell a few hundred shares short by way of occupying his capital and his mind.

It is, however, the variation of opinion among different men that has the largest influence in making the market responsive to changing conditions. A development which causes one trader to lighten his line of stocks may be regarded as harmless or even beneficial by another, so that he maintains his position or perhaps buys more. Out of a world-wide mixture of varying ideas, personalities and informaaion emerges the average level of prices —the true index number of investment conditions.

The necessary result of the above line of reasoning is that not only probabilities but even rather remote possibilities are reflected in the market. Hardly any event can happen of sufficient importance to attract general attention which some process of reasoning cannot construe as bullish and some other process interpret as bearish. Doubtless even our old friend of the news columns to the effect that "the necessary activities of a nation of ninety million souls create and maintain a large volume of business," may influence some red-blooded optimist to buy 100 Union; but the grouchy pessimist who has eaten too many doughnuts for breakfast will accept the statement as an evidence of the scarcity of real bull news and will likely enough sell 100 Union short on the strength of it.

It is the overextended speculator who causes most of the fluctuations that look absurd to the sober observer. It does not take much to make a man buy when he is short of stocks "up to his neck." A bit of news which he would regard as insignificant at any other time will then assume an exaggerated importance in his eyes. His fears increase in geometrical proportion to the size of his line of stocks. Likewise the overloaded bull may begin to "throw his stocks" on some absurd story of a war between Honduras and Roumania, without even stopping to look up the geographical location of the countries involved.

Fluctuations based on absurdities are always relatively small. They are due to an exaggerated fear of what "the other fellow" may do. Personally, you do not fear a war between Honduras and Roumania; but may not the rumor be seized upon by the bears as an excuse for a raid? And you have too many stocks to be comfortable if such a break should occur. Moreover, even if the bears do not raid the market, will there not be a considerable number of persons who, like yourself, will fear such a raid, and will therefore lighten their load of stocks, thus causing some decline?

The professional trader, following this line of reasoning to the limit, eventually comes to base all his operations for short turns in the market not on the facts but on what he believes the facts will cause others to do—or more accurately, perhaps, on what he *sees* that the news *is* causing others to do; for such a trader is likely to keep his finger constantly on the pulse of buying and selling as it throbs on the floor of the Exchange or as recorded on the tape.

The non-professional, however, will do well not to let his mind stray too far into the unknown territory of what others may do. Like the "They" theory of values, it is dangerous ground in that it leads toward the abdication of common sense; and after all, others may not prove to be such fools as we think they are. While the market is likely to discount even a possibility, the chances are very much against *our* being able to discount the possibility profitably.

In this matter of discounting, as in connection with most other stock market phenomena, the most useful hint that can be given is to avoid all efforts to reduce the movement of prices to rules, measures, or similarities and to analyze each case by itself. Historical parallels are likely to be misleading. Every situation is new, though usually composed of familiar elements. Each element must be weighed by itself and the probable result of the combination estimated. In most cases the problem is by no means impossible, but the student must learn to look into the future and to consider the present only as a guide to the future. Extreme prices will come at the time when the news is most emphatic and most widely disseminated. When that point is passed the question must always be, "What next?"

Recording Fluctuations and Volumes

A SUBSCRIBER submits several specimens of charts designed for the above named purpose, with a request that we make suggestions along this line.

In our opinion, the simplest and most practical way of accomplishing this purpose is to arrange a figure chart with the price scale at the left, and the total volume in hundreds (double 00's omitted) recorded at each level. This enables one to note the totals on each successive advance and decline, as well as the total transactions at any given price or level.

½	20		32	6		
⅜	8	15	18	12	15	10
¼	15	6			7	
⅛	7					
60	48					

The Investment Digest

THIS Digest is prepared from news appearing in the following publications: New York: *Bond Buyer; Financial News; Wall St. Journal; Financial America; Moody's Manual Supplement; Commercial and Financial Chronicle; Financial Age; Financial World; Railway Age Gazette; U. S. Investor; Commercial; Brooklyn Eagle; Leslie's Weekly; Evening Mail; Evening Post; Herald; Journal of Commerce; Sun; Times, Tribune.* Boston: *News Bureau; Commercial; Financial News; Transcript; Herald; Post.* Chicago: *Record-Herald; Tribune.* Philadelphia: *Financial Bulletin; Railway World; North American;* Pittsburgh *Dispatch;* Washington *Post;* Louisville *Courier-Journal;* New Orleans *Times-Democrat;* Baltimore *Sun;* St. Louis *Post-Dispatch;* Cincinnati *Commercial Tribune;* Cleveland *Commercial Bulletin;* Memphis *Commercial Appeal.* Kansas City: *Star; Journal;* Dallas *News;* Houston *Post;* Seattle *Times;* Toronto *Globe;* Montreal *Star;* Minneapolis *Commercial West;* Birmingham *Age-Herald;* San Francisco *Journal of Commerce;* Denver *Post;* Atlanta *Constitution;* London *Statist.* Also from the Financial Reviews of leading banking and Stock Exchange houses, too numerous to mention.

The sources of items are indicated as follows: *Leading financial and investment publications. †Banking and Stock Exchange houses. §From official sources. Neither THE TICKER nor the above authorities guarantee the information, but it is from sources considered trustworthy. Owing to the vast amount of information condensed into these pages, many abbreviations are necessary.

Am. Agri. Chemical.—†The Palmetto Co., which has been acquired, owns 23,000 acres phosphate rock lands in Florida, with a large plant fully equipped for preparing rock mined for market and steam railroad through property.—The Coe-Mortimer Co., also acquired, was organized for general manufacturing and dealing in fertilizers and has been successful for many years.—These acquisitions are very important and earnings of Am. Agri. should be materially benefited. (See Fertilizers.)

Am. Beet Sugar.—*Gross receipts from operations during 4 years ending Mar. 31 were: $5,781,276, $7,156,855, $7,009,644 and $8,357,012, respectively. The net earnings were: $1,092,361, $1,553,142, $1,507,222 and $2,023,659, respectively. Surplus each year was $638,311, $1,047,742, $1,097,252 and $1,643,659. Surplus last year increasing $550,000, caused by increased net and ending interest on floating debt. Co. is in best of shape, and permanency of common dividend is now assured. Co. produces staple food stuff, but tariff question enters into matter without present tariff on sugar. Net earnings would decrease. Co. controls about 25% of beet sugar production. Earnings on common increased from 4.26% for 1908 to 10.96% last year, and it is estimated that Co. will earn from 15 to 20% on common for year Mar. 31, 1912.

Am. Can.—†Year ended Dec. 31 showed net $5,416,300, a gain of $3,456,500, or 56% over year end. Dec. 31, 1910. Annual report shows $2,916,300 for dividends, equal to 7.07% on $41,233,200 pref. compared with 6.84% last year, but last year charges for depreciation were $2,500,000, and if charges had been same as 1910 ($633,564), balance would have been equivalent to 11.6% on pref.

American Ice Co.—*1911 Co. showed working capital $1,244,081 compared with $576,816 previous year. Gross business $9,004,476 compared with $8,661,849 in 1910.—Accrued div. on pref. stock now $6,564,808.

Am. Locomotive.—*In 1909 business was at the worst and Co. failed to earn pref. div. by $762,000. Little over 1% was shown in 1910, but in year to June 30, 1911, there was surplus equivalent to 7.26% on the common. Plants are now operating 45% to 50% capacity. Earnings within past six months have at times dropped below pref. requirements, but official of Co. states that for current year there should be a small surplus for common.

Am. Smelting & Ref.—*Co. declared dividend of 1.1-6% on pref. and 2-3% on common stock for two months. Dividends are at regular per an. rates, but declared for two months owing to change in fiscal year, which now ends Dec. 31. Hereafter dividends on pref. will be payable first of March, June, Sept. and Dec. This dividends is for Nov. and Dec, 1911. Dividends on common payable 15th of March, June, Sept. and Dec. This dividend is also for Nov. and Dec.

Am. Sugar Ref.—*Co. closed most successful year in its history Dec. 31. Coming annual statement may not disclose more than 12% for common because large sums were charged against earnings for needed property betterments and reconstruction. In 1911 and 1912 Co. will spend $2,500,000 on plant improvements. $500,000 will be or has been spent on Boston refinery and is today equipped with capacity of 5,000 barrels daily against 3,500 before, and annual business will be of over $20,000,000. Co. is making sugar more cheaply than for 12 years. Charging of $2,500,000 to earnings rather than to capital account was not only legitimate but the only proper method. "Income from investments," which includes beet sugar divs., will probably get above $3,000,000, compared with $2,273,000 in 1911.

Am. Tel. & Tel.—†In fiscal year to Dec. 31 Co. spent in construction and additions all over U. S. for system as a whole about $55,000,000. This compares with $53,582,000 during 1910 and but $28,700,100 in 1909. Since Co. took over Am. Bell in 1900, $515,000,000 has gone into new plant and equipment, average $43,000,000 per an. Parent Co. has steadily added sub-Co. shares and is understood to own 90% of capital stock of all subsidiaries. Purchase of 5,000 shares Western Electric stock at $250 a share by Am. T. & T. brings holdings to 125,477, or about 83½% of the 150,000 shares. Last year Western Elec. declared regular dividend of $8 a share and an "extra" of $2 a share. On basis of similar dividend Am. Tel. will receive $1,255,000 in dividends.

Atchison.—†Earnings for Dec. record largest loss in gross current fiscal year, $403,000.—Loss is more significant since Atch. has 10,712 miles in operation, increase of 455 over year ago. First half of year gross declined $739,600, net $2,332,700, or 12.4%. Great part of loss in net in first half of year was due to fact that in July, Aug. and Sept. income account was charged liberally with expenditures for maintenance, but management has now so regulated expenses that losses in gross are being partly offset.

Baltimore & Ohio.—*The $10,000,000 4½% equipment trust notes sold met quick market. In consequence, were soon selling at premium over the 4⅜% basis upon which underwriters sold them. Pres. Willard says he has inaugurated a depreciation account of $250,000 per month from earnings, or $3,000,000 per annum. Co. could thus pay off entire $10,000,000 car trusts in about 3 years. Operations in Dec. show great improvement in efficiency. Gross increased $346,400, or 5%, and net increased $556,700, or more than 36%, principally due to economies. Business now at rate of $89,000,000 per an. Saving in expenses alone if continued will pay two-thirds of common dividend. Co. ordered 8,000 new freight cars for 1912 delivery which could not now be duplicated within $50 to $100 per car. Co. is in no special need of funds, feels justified in sale of car trust certificates on the favorable terms obtained.

Bethlehem Steel.—*Lehigh Coke Co., the $15,000,000 corporation, expects to have 300 by-product coke ovens ready Sept. 1. With minimum capacity of 3,360 net tons per day, Beth Steel has contracted to purchase all coke produced. The plant is capable of enlargement to 600 ovens, with daily capacity of over 6,500 tons. Beth. Steel has agreed to deliver to Lehigh Co. the coal to be converted into coke, and last year made contract with Western Maryland Ry. for minimum of 2,000 tons and maximum of 6,000 tons of coal daily, contract to run 20 years. Steel Co., under its contract with Lehigh Coke, secured option to purchase plant of latter at end of 20 years, and obligated itself to purchase at end of 30 years.

Brooklyn Rapid Transit.—†Operating revenues in Sept. quarter were $6,384,600, increase $367,800 over corresponding quarter. Of gain in net, Co. saved $65,000 for dividends. Expenses, interest, rentals, etc., consumed 82.4%. It is known that in 3 months, to Dec. 30, Co. gained $325,000 gross and safe to assume that Co. saved 17% for dividends. Earnings for half year show increased margin of safety over dividend requirements about $125,000, or at rate of $250,000 per an.

Canadian Pacific.—†Net keeps pace with gain in gross. Dec. reports net $4,105,700, a gain of $819,197, or 25%. Business in first three weeks of Jan. gained $700,000. Operating conditions very severe this month, however, and likely to be reflected in net earings. Last fiscal year Co. earned $12,504,000 for dividends, equal to 17.28% on common after pref. dividends. Without doubt dividend balance in current year will be largely in excess of last.

Central of N. J.—*Of Lehigh & Wilkes Coal Co. J. C. owns 97%, or $8,491,150 of the $9,212,500 stock. Disregarding 3% minority interest, J. C. could capitalize assets of Coal Co. at $27,436,800 and give RR.'s shareholders a dividend of 100% in stock. On such capitalization the Coal Co. could earn 8%, as its yearly income can conservatively be placed at over $2,200,000. In six months to Dec. 31, J. C. earned, after charges, $4,015,067, equal to 14.6%. Of the $27,436,800 stock, Reading owns $14,500,000, or 53%, for which it paid in 1901 $160 per share, or $23,200,000. Since then and including 1912, J. C. will have produced over and above charges. In 11 years a surplus of $60,843,450, which on $27,436,800 stock is equal to 221%. Allowing regular 8% and 4% extra dividends this year, Co. will have paid to June 30 next just 100% in dividends since Reading bought control. $33,406,650, therefore, or 121%, has gone back into property.

Chicago, Mil. & St. Paul.—*Recent reduction of dividend on common was in accordance with policy to be adhered to in future of paying no higher rate than earned in any fiscal period. During six months ended Dec. 31 last, including interest from Puget Sound extension and all other net incomes, Co. earned little more than 2½% on common stock, or at rate of about 5%. Therefore, the 2½% declared was within limits of earnings. Dec. earnings suffered loss in gross about $190,000, although savings in transportation costs brought about increase in net better than $300,000. Decrease in net at close of five months of $1,371,000 was reduced to $913,000 in six months.

Chicago & Northwestern.—*This road will not earn much over its 7% for year to June 30. There is no fear, however, of reduction even though Dec. gross. decreased $295,000 and net fell off $126,778.

Col. Southern.—*Co. has filed suit alleging that Col. Midland stock owned jointly by plaintiff and D. & R. G., is in danger of defaulting interest on its bonds. Complaint states that if foreclosure proceedings are started, plaintiff's interest in the stock will be valueless. An offer of $150,000 has been made

for Col. Midland stock owned by Col. & So., and complainants ask that Trust Cos. be directed to consent to sale. Dec. report shows heavy falling off in both gross and net compared with same month previous year, even with reduced operating expenses. Account for six months to December 31, 1911, compares with same period 1910: Gross, $7,734,660, decrease, $286,662; operating expenses and taxes decreased $844,170; total income, $2,804,111, decrease, $105,893; surplus after fixed charges, $1,405,543, decreased $341,242.

Consolidated Gas.—*Co. declared regular quar. dividend of 1½%. The annual report showed surplus slightly larger than 1910, which was equal to 7.56%. It is stated that undistributed surplus for 1911 of all Cos. combined was over $5,000,000, making actual earnings 5% more than shown. Working capital increased $1,858,250 and notes decreased $57,000, making total increase in credits $5,687,264. To offset this there was reduction in advances to sub-Cos. of $3,230,000 and an increase in surplus and reserves $2,457,264. Surplus of all operating Cos. in 1911 after charges was $14,506,689. Stockholders received $5,988,990, $5,178,764 were invested in plant and property and $3,338,936 reserved for renewals and contingency. Stockholders, therefore, received a little over 40% of year's income and nearly 60% was put back into properties. Co. has made application to purchase all or control of Queens Electric Light & Power Co. and N. Y. & Queens Gas Co.

Denver & Rio Grande.—*With gross earnings for six months to Dec. 31 only 2.8% balance over all charges shows decline of 52.6%, less than half Co. earned in same six months 1910. Co. has had serious difficulties, floods wiped out large portions of line in southern Col. during Oct. This accounts for falling off in gross $363,000 and increase $344,000 in operating expenses. Officials assert they will have no difficulty in taking care of Western Pac. interest amounting to $1,250,000, due Mar. 1. Co. has plenty of cash, and treasury securities available will provide against demands until new extension becomes self-supporting.

Erie.—†Traffic failing to maintain improvement noted in early months. Expenses of operation are not declining in proportion to loss in gross. Dec. revenues amounted to $4,525,900, a loss of $21,000 compared with Dec. yr. ago, but expenses increased $132,000, and, therefore, net decreased $153,000, or over 12%. However, it is not expected business will show material decrease compared with yr. ago. Expense account continues liberal for maintenance and up-keep, and net can be kept at last year's figures without serious impairment to efficiency.

General Chemical.—*Co. reports for fisc. yr. to Dec. 31: Net profits, $2,421,880; increase, $20,541; preferred dividends, $750,000; total surplus, $4,870,638; common stock dividend, $407,600; P. & L. surplus, $4,463,038; increase, $372,279. Directors offer for subscription to pref. stockholders remaining available $1,250,000 pref. stock (authorized Aug. 16), and to common stockholders $855,890 of remaining common stock at par, these issues being 10% respectively of each class outstanding. Subscriptions payable in four equal quarterly payments.

General Electric.—*Co. does not expect to do over $75,000,000 gross this yr. Net earnings likely, however, to show considerable improvement. Co. must spend large sums in building new plant at Erie. Situation makes postponement of 20% stock dividend the most natural course. Some authorities believe that G. E. has purposely dropped orders to Westinghouse for purpose of loading that Co. up with work where profit is small. Certain orders notably for motors Westinghouse has taken at prices 15% and 20% less than G. E.

Great Northern Ore.—*Report Jan. 30 states trustees had at end of 1911 $1,572,073 in undistributed income, about $1 per share. This is a free asset and available for any distribution trustees think advisable. Adding surplus income over dividends paid on trust certificates, $2,849,338 of advance royalties paid by Great West. on ore not yet taken out, there is about $4,000,000 back of certificates in cash or equivalent. The lease to Great Western still has 3 yrs. to run and in that time contract calls for on 15,750,000 tons minimum. Almost $3,000,000 is held acting as agents which cannot be distributed until ore has actually been taken and allotments made to Cos. from which ore may be mined. Most of this money will eventually be received as dividends and then be available for ore trust dividends. James J. Hill estimates value of $500,000,000 for ore unmined. L. W. Hill says Great Northern will carry 12,000,000 tons of ore this yr. or 2,000,000 tons more than in 1911.

Harriman Lines.—*U. P.'s income from investments will pay entire fixed charges. Last yr. income was $15,988,000, while fixed charges were $14,131,937. This left entire earnings from transportation directly applicable to dividends. After payment of 4% on pref. ($3,981,744) there was for the common nearly $36,000,000, or almost 17%. Investments this yr. show shrinkage in first six months of $2,500,000, but would have to decline $12,000,000 more before common stock dividend of 10% is in jeopardy.—*So. Pac. is building 456 miles. The Mexican system now comprises 912 miles. Investment in Mexican system was $38,138,720 June 30, 1911. Carried without any return, so earnings in future will be clear gain. Mexican operations not included in income statement. Pac. Elec. Ry. all the $20,000,000 stock owned by So. P. operates 881 miles. Other traction lines in So. Cal. controlled by So. Pac. comprise 182 miles. In addition So. P. on June 30, 1911, held $10,828,000 bonds and had $14,244,045 in other electric lines in Cal. Acres unsold June 30, 1911, was 13,809,075. Sold in 1911, 84,594 at $10.33 per acre. Earnings of Ill. Cen. from which U. P. has revenue in dividends of $2,300,000 are so poor as to suggest reduction.

Hill Roads.—*Chi., Burl. & Q. has been held as more of an asset to Great Nor. and

Nor. Pac. than is apparent. They own all stock, so control management. In Dec. Burl. reported decrease $508,757 gross, against increase for Great Nor. of $251,909, and increase for Nor. Pac. of $509,470. Great Nor. in first half of fiscal yr. earned more than entire yr.'s requirements. Estimated surplus was about 7.2%. Road did almost $1,800,000 more business in first six months of 1911 than in same period 1910. Nor. Pac. has not done as well, but Oct. saw turning point, since then has made better comparisons. Loss in gross in six months was about $2,000,000, but offset by smaller expenses and increase in "other income." Earnings in the six months equaled 5%, or 1½% in excess of requirements.

Illinois Central.—†Strike continues to have adverse effect on earnings. Co. rounded out first half of fiscal yr. with loss in gross $1,800,000, and in net $3,200,000. Unless earnings in Jan. show improvement over Dec., the Nov. balance of $3,660,000 after dividends earned in 1911 will be wiped out. Jan. gross earnings we learn decreased $1,300,360, or 23%.

Interborough.—*Jan. made best showing of any month since fiscal yr, began July 1. The increase averaged $5,530 per day, or $171,000 for month. This compares with gain of $130,000 in Dec., or average $4,200 per day. For 7 months, indicated gain for full fiscal period is $1,300,000, or 85% more than the $700,000 increase for 12 months to June 30 last. Of Jan. increase $4,930 was by subway lines and only $600 by elevated. For first time in history of subway Dec. averaged more than 1,000,000 passengers per day.

Inter. Paper.—*Condition of property is as good as at any time since Co. was formed. Earnings improved rapidly last two years and at present is earning about 8% on pref. There is a floating debt of $5,000,000. Co. is rich in property assets but will always find it difficult to pay more than 6% on pref. Co.'s report for six months to Dec. 31, 1911, shows gross, $11,237,562; surplus after div., $807,974; previous surplus, $8,838,104; total surplus, $9,646,078. Equal to 4.6-10% on $22,406,700 pref. to June 30, 1911.

Inter. Rubber.—*Shipments for Dec. are estimated at 550,000 lbs. Nov. showed between 700,000 and 750,000 lbs. Of this 550,000 lbs., U. S. Rubber, through the General Rubber Co., took between 450,000 and 500,000 lbs. Contract between Inter. and U. S. Rubber is said to be equal to 42% of price of Para rubber, now quoted at $1.10 in London, making price received 46 cents or three cents a lb. above price realized by Inter. during last quarter of 1911.

Inter. Steam Pump.—*Co. has been actively selling pumps in western beet sugar-making plants and has made large expenditures developing trade with cane sugar industry in Porto Rico, Cuba and other points in tropics. A branch office has been opened in Mexico and an active campaign being conducted in South Am. In southw. portion of U. S. there is an increasing demand for pumping machinery for irrigation and the Janesville works have been shipping special high pressure pumps to Southern Cal. for use in piping oil.

Kansas City, Mex. & Orient.—*Co. offers to stockholders $10,000,000 10-year 5% first mortgage collateral trust bonds at par. According to latest reports available road has outstanding $12,500,000 pref. and $12,264,135 common stock, $37,500,000 of each class being authorized. Stock is held in voting trust, which expires Jan. 1, 1917. The funded debt consists of $18,199,000 first mortgage 4% fifty-year gold bonds, due Feb. 1, 1951.

Laclede Gas.—*Co. last year made voluntary reduction in price of gas. Report showing 8.52% earned on $10,700,000 common stock or 10.04% at close of previous fiscal period compared with 10.02% earned on $8,500,000 in 1910, is a highly satisfactory exhibit. Co. reports for fiscal year Dec. 31 surplus over pref. dividends $853,040, an increase of $1,439.

Lake Erie & Western.—*The $11,840,000 pref. stock is entitled to 6% dividends. As regards dividend, the common is practically worthless. Lake Shore & Mich. Sou. owns majority of both pref. and common. As plans are under way for unification of N. Y. Cen. lines, the value of Lake Erie & W. common stock rests entirely in strategic position of the road.

Lehigh Valley.—*Plan involves formation of new Sales Co. under contract with Coal Co. and stock of new Co. is given to L. V. stockholders to extent of 10% of holdings. That is, a cash dividend declared payable Feb. 26, same date on which subscriptions to Sales Co. stock are payable. Subscription to shares of new Co. is optional, but receiving the cash dividend forfeits right to subscribe. Value of stock of new Sales Co. depends on terms of contract entered into with Coal Co. The Coal Co. itself in 1911 earned net $1,512,844, equivalent to 35% on stock of the Sales Co. With new Sales Co. stock at 200, which is bid price on Curb, stockholders of record Jan. 19 will be entitled to 10% cash dividend and right to subscribe to new stock at par, privileges theoretically worth $20 together. In other words, the "plum" to Lehigh shareholders, or right, is worth 10% of market price of new Sales Co. stock.

Minneapolis & St. Louis.—*Co. is self-supporting, but margin last fiscal year was not enough to inspire hope for dividends. The last was 2½%, or $100,000, June 30, 1910. To make payment it had to take $22,000 from profit and loss surplus. All formalities relative to sale of Iowa Cen. to Minn & St. L. have been complied with. With this sale Iowa stock ceases to have value other than right of exchange for securities of purchasing Co. Instead of two roads, there now exists one system, Minn. & St. Louis, of 1,586 miles.—*Feb. 1, Co. paid $2,100,000 6% notes, with $63,000 interest, making $2,163,000. At same time there was released collateral amounting to $2,100,000 and turned into treasury as a free asset. There are $4,000,000 5% notes due Feb. 1, 1913, the collateral is $6,250,000 first mortgage bonds of Minn., Dak. &

Pac. Co. These bonds have been exchanged for new 5% ref. bonds, the new bonds thereby become a first mortgage on 229 miles of road. This Co. under recent consol. is absorbed and is now part of Minn. & St. Louis system, as is Iowa Cen. Co. has filed a $75,000,000 mortgage.

Missouri, Kan. & Tex.—†Year to June 30 earned $1,773,700 for dividends. In first half $1,297,935 of this surplus was wiped out. Nov. contributed $522,000 to loss and Dec. surplus decreased $215,115. During recent years all surplus has been earned in first six months. In six months to June 30 next Co. can hardly earn pref. dividend, amounting to $521,000. Allowances for maintenance are at rate of $10,000,000 compared with $7,450,000 last year. If so wished, over $600,000 could have been saved in first half of year without impairing road's efficiency.

Missouri Pacific.—*In 1911 "other income" showed credit of $1,211,000, including half year's dividend of $250,000 on Denver pref. and $348,000, received from Pacific Exp. The Denver dividend this year will be nil, and Pac. Exp. is now in liquidation. M. P. reports securities owned $157,861,000 par value, book value $146,221,000. The small returns has handicapped Co. in recent years and present management is now paying attention. If Co. is to secure adequate return on investment in Texas & Pac., St. Louis Iron M., and Denver & R. G., they will have to undergo similar treatment given M. P. Election of B. F. Bush as pres. of D. & Rio G. is second step toward changing unproductive property to a profitable stage.

National Biscuit.—†Net profits for dividends $4,673,400 compared with $4,619,400 in 1910 and $3,978,576 in 1909. Profits equaled $10.05 per share on common after allowing 7% for pref. 1910 earnings equalled $9.86 on common. During past year Co. disbursed 9% to common. An "extra" of 2% was paid in Nov. in addition to regular 7% which common receives. Surplus after dividends was $305,914. Working capital at close of last year was $11,358,000, and this year $11,337,000.

N. Y. Air Brake.—*In six months to Dec. 31, Co. secured orders for brakes for 40,000 cars solely for Rys. of the U. S. and is receiving long term contracts from certain R.R. systems for brakes for cars and locomotives, as well as for repairs.

New York Central.—Increase $190,000 gross for Dec. and $664,700 or 53% net, closed fiscal year with gross $103,954,800 increase $4,046,300 over 1910, and net $24,356,000 increase $3,343,200 or 15.9% over 1910. Surplus was larger than any fiscal year in Co.'s history. Charges show increase owing to sale of $30,000,000 4½% notes. On this basis balance should show Div. balance 1911, $16,032,000, Div. requirements $11,136,000, surplus $4,896,000. The rising Vanderbilt issues is significant. L. Shore last sale 100 shares 320 now 460 bid, 510 asked. Mahoning Coal owned by Lake Shore, bid price 600. Mich. Cen. 150 bid 190 asked. Canada Sou. not under 72 and even Lake Erie & West. is up. N. Y. Cen. during 1911 earned 7¼% on $222,729,300 stock compared with less than 6½% year previous. Dec. statement showed increase 4%. Lake Shore showed $833,112 or nearly 100%; Mich. Cen. $65,000 or 10%; Big Four $92,000 or 15% and Nickel Plate $85,000 net. In 12 months operating income increased $3,344,000, Lake Shore $2,850,000, Big Four $11,200,000 and Mich. Cen. $1,230,000. Negotiations are under way to acquire Rome Water & Ogdensburg now operated under lease at rental of 5%. This is in line for consolidation under one corporate form.

N. Y., N. H. & Hartford.—*Co. presents fine exhibit for Dec. Net increased $513,785. Road must earn, to show full 8% dividends this year, $21.107,002 net. In six months to Dec. 31, $11,059,875 of this amount has been earned leaving latter half to produce $10,049,127. Pro rated monthly increase for balance year must be $244,019.

N. Y. Railway.—*Application of Metro. St. Ry. (now N. Y. Railways) for plans of reorganization has been approved. It involves issue of $17,500,000 par value of stock; $16,768,100 refunding 4% 30-year bonds, $31,933,400 30-year adjustment 5% income gold bonds, making total $66,201,500.

North American.—*Co. earned 6½% on $29,793,300 stock for year to Dec. 31, 1911. Compares with 6.22% in 1910 and 5.73% in 1909. Detroit Edison one of most prosperous of N. Am. holdings is expected to show net 10% over 1910 when Co. earned over 12%. It pays 7%.

Norfolk & Western.—Co. offers privilege to subscribe at par between Feb. 27 and March 1, convertible 4% gold bonds equal to one-eighth of respective stock holdings Jan. 31. In addition $22,991,700 adjustment pref. making total $106,347,700. This stock entitled to subscribe to extent of 12½% of holdings in new convertibles, so amount of latter to be issued will be $13,294,000. In 1911 fiscal yr. to June 30 Co. earned 8.98% on $74,284,000 common then outstanding, after allowing 4% on pref. Owing to increase from 5% to 6% in December, a large amount of bonds have been converted. In the six months to Dec. 31 gross was $19,985,500 increase $1,490,900, or over 8% compared with last year, 27% of gain in gross being saved for net. Earngs. in first half of yr. increased $588,600 or 8.6%. Surplus was $4,982,100 increase $578,400 or 13%. This surplus is equal to 5½% on $81,000,000 common now outstanding after allowing six months dividend on pref.

Northern Pacific.—†Dec. rounded out first half of fiscal yr. with loss of but $211,000 net, a decrease of but 1½% compared with year ago. Gain in Dec. was $411,600 or 21.8%. It is hardly expected to show large gains balance of year. Jan. returns are said to be behind a year ago, but distinct improvement in operating should wind up yr.

with balance as large as 1911 when 8.24% was earned. (See Hill Roads.)

Pennsylvania.—*Dec. with increase of $623,131 of 4.7% gross and gain of $795,141 or 41.4% in net was encouraging. The year produced $3,000,000 less gross and $2,000,000 smaller net than 1910, but Co. is fortunate to come out no worse. At end of first quarter, when net fell $3,000,000, it looked as if year's surplus would be negligible for 1911. At close of 1910, requirements were $24,410,859, leaving surplus $13,364,625. Late year's distribution was $26,000,000, so that balance was but $9,-800,000, or $3,564,000 less than in 1910. Co. announces steel rail order for 1912 as 150,000 tons for all lines east and west of Pittsburgh.

Pitts., Cin., Chgo. & St. Louis.—*Earnings would permit 6% instead of 5%, but would mean distribution of all income above charges. This policy is seldom countenanced by the Penn. With net $8,743,000 for eleven months to end of Nov., Co. earned $9,340,000 for entire year. Co.'s dividends now at 5% means $3,157,130. On 6% basis it would be $3,788,556, or within $325,000 of entire balance available.

Pittsburgh Coal.—*Co. earned the 5% dividend on pref. stock in year to Dec. 31, 1911. Payment on pref. takes $1,353,590. In 1910 earnings applicable to pref. was $1,-965,450.

Reading.—*Prediction that second pref. will be converted half into common and half into first pref. is more positive. Balt. & Ohio and Lake Shore are chief owners of Cos. stocks, being over $60,000,000. The $20,005,-000 common these two hold is 28% of $70,000,-000 outstanding. With half of their $28,530,-000 second pref. converted into common, holdings of common would be increased to $34,-270,000 or 37.5% of $91,000,000 common then outstanding. After expenses of Railway and Coal Co. with renewal expenditures, Reading earned $4,480,688 after charges in six months to Dec. 31, against $4,029,076 year ago. Deducting pref. dividends there remains for $70,000,000 common $3,080,688 of 4.4%. Last year Co. earned 12.1% for its $70,000,000 stock counting charges to railway's expenses for improvement (see Cen. of N. J.).

Republic Steel.—*Half yearly report for six months to Dec. 31 shows net profits for dividends are $798,772 and net surplus as of Dec. 31, 1911, is $5,286,218. Deductions from working capital on account of new construction increased assets $1,343,865, leaving balance net working assets $12,510,214. Unfilled orders were 414,431 tons compared with 293,-734 corresponding date previous year and 481,425 tons June 30 last.

Rock Island.—*Co. finds itself Feb. 1 with nearly $3,000,000 less gross than at same period last year and with falling off of more than $1,600,000 in net. Fixed charges of operating with increase of $600,000 add to hopelessness of attempts to make 1912 equal preceding year when $5,442,714 was available and surplus for year was $1,511,766. Speyer & Co. bought of $20,000,000 20-year 5% debentures of Chicago, R. I. & Pac. Assuming an offer at 97 and bankers' commission of 2%, the railway nets 95 or $19,000,000.

Sears, Roebuck.—*To Dec. 31 net did not show gain in same ratio as gross. They were $6,984,967 against $6,759,876 previous year, a gain of but 3.3%. It cost Co., including depreciation and reserves, 89% of gross to do business. Balance for common after all charges and the 7% pref. was $6,368,967, equivalent to 15.9% on $40,000,000 stock. This compares with 20.4% on $30,000,000 stocks in 1910 and 18.5% in 1909. Gross was $5,850,000 in Jan. compared with $4,600,000 in Jan., 1911, a gain of 26%.

Southern Pacific.—(See Harriman Lines.)

Southern Railway.—†Gross earnings constantly mounting. Economy shown in cost of conducting transportation and while charges for upkeep are on larger scale, a fair proportion of gross is saved for net. In first half of year gross was $32,347,200 (new high record) and gain of $1,204,500 over same period year ago. Net for half year was $9,-787,300, gain of $285,600 or 2.3%. Dec. contributed $165,800 to gain in gross and $80,000 in net.

St. Louis Southwestern.—†In six months to end of Dec. net was $2,103,800, increase 15.8%. A gain of $202,000 in "other income" brought balance up to $1,320,400 compared with $897,200 for same period last year, a gain of 47%. Above balance for dividends is equal to 3.2% on common after allowing for full year pref. dividend.

Tennessee Copper.—†Dividend of 6% or $1.50 per share declared payable Feb. 20 to holders of record January 31. During 1911 Co. earned about $600,000 gross. Profits fell off due to two months' shut down by fire at property and delay of several months in erecting towers. Deducting $90,000 bond interest, $80,000 to $100,000 for depreciation on 200,000 shares, the $1.50 dividend calls for $300,000.

Texas Co.—†Fiscal year ends June 30. Early forecasts were that balance would be less than 10% figure last year, but improvement in prices and better trade outlook it is probable that balance will be as large as year to June 30 last.

Third Ave.—*Pres. Whitridge has notified Public Service Commission that he will not obey order to establish sinking fund of $180,000 year to amortize Co.'s bonds. It is estimated that earnings of new Third Ave. Ry. for dividends will be slightly under 3% for first year of operation. For six months to June 30 next there should be earned $2,-523,676, applicable to interest and dividends. After deducting interest on new 4s and new 5s, this would leave $755,276 apparently applicable to dividends on new stock. Mr. Whitridge stated that it is proposed to set aside $300,000 yearly for depreciation. This would leave surplus $465,000 for stock, equivalent to about 2.8%.

Toledo St. Louis & Western.—†Dec. 31 Co. showed income of $412,800, decrease $281,000 or over 40% compared with first half of 1911 year. From net subtract $560,000 charges for half year, leaves deficit $148,000. Two dividends paid since, brings deficit after all deductions for half year up to $348,000. The third quarter is usually poorest and unlikely that improvement in last three months can wipe out deficit of first three quarters.—*Co. owns $6,480,000 pref. of Chicago & Alton, but last June dividend on this stock was passed which also reduces income.

Union Pacific.—(See Harriman Lines.)

U. S. Rubber.—*As holder of $16,869,800 common stock of Rubber Goods Co., U. S. Rubber will receive in dividends for year about $1,349,584, or $349,583 in excess of common dividend requirements of U. S. Rubber. To this may be added $87,500 from earnings of Revere Co., a total of $425,000. It can be seen that U. S. Rubber is in stronger position than year ago because of heavier returns of subsidiaries. In year to Dec. 31 R. G. Manuf. Co. did biggest tire business in its history. Sales running over $20,000,000. (See Inter. Rubber.)

U. S. Steel.—*Co. reports for quarter ended Dec. 31 net earnings $23,105,115 compared with $29,522,725 Sept. 30; $28,108,520 June 30; $23,519,203 Mar. 31; $25,990,978 Dec. 31, 1910; $37,365,187 Sept. 30, 1910, and $40,170,960 for June 30, 1910. Surplus Dec. 31, after payment of all charges and dividends of $89,638, compared with $2,745,494 Sept. 30; $1,869,177 June 30; $31,155 Mar. 31; deficit of $5,591,968 Dec. 31, 1910; surplus $3,578,063 Sept. 30, 1910; surplus $6,416,093 June 30, 1910. For fiscal year 1911 balance for common stock 5.93% compared with 12.28% in 1910, and 10.48% in 1909. Co. reports unfilled orders Jan. 31, 1912, 5,379,721 tons. Compares with 5,084,761 Dec. 31, 1911; 4,141,955 Nov. 30, 1911; 3,694,328 Oct. 31, 1911; 3,611,317 Sept. 30, 1911; 3,110,919 tons Jan. 31, 1911.

Wabash.—*A suit to foreclose mortgages of $42,000,000 has been filed. The $10,000,000 5% receivers' certif. recently purchased by Kuhn, Loeb are finding ready market at 100⅞. It is understood that over 75% of issue has already been sold.

Western Maryland.—†Last fisc. yr. Co. earned over all charges and dividends but $219,000. In present year thus far show small falling off and charges will be increased over $200,000 owing to recent sale of $8,000,000 5% notes, but it is not expected Co. will fail to earn its dividend in the year to end June 30 next. Traffic in Dec. did not move freely and loss in net for first half of year was $100,000, which with increase in charges will wipe out last year's surplus unless improvement is shown in business. Co. has completed plans for terminals in Balt. to be used in conjunction with N. Y. Central. Entire project will cost about $7,000,000.

Western Union.—*Investors in 1907 and 1908 bought convertible 4% bonds at 75. This $8,000,000 will be redeemed by Co. at 105 on May 1. Original authorized issue was $25,000,000. Only $10,000,000 were sold, Co. bought in $2,000,000 in 1910, there remains but $8,000,000 outstanding.—†Pres. Vail told stockholders frankly that if willing to wait 3 years, they would get good appreciation in value and increased dividend return. Introduction of the "Day" and "Night Letter" did not cause falling off in straight telegram business but increased it, recent months having shown increase in gross of 20%. For six month to Dec. 31 earnings were at rate of 8%. This compares with less than 5½% in fiscal year to June 30 and only 1¾% in 1908. Co. has not altered original position and will not pay more than 3% until present program is complete. With abundant surplus Co. feels that 5% dividends are established on basis of reasonable security.

Westinghouse Electric.—*For quarter to Dec. 31, Co. booked new business at rate of $33,000,000 per an. Several large new orders aggregating $1,000,000 booked within last ten days. Official notice sent to stockholders of Air Brake Co. calling special meeting Mar. 20 to vote on increase of stock from $14,000,000 "to not exceeding $20,000,000, as shall be approved." Books will be closed from Mar. 10 to Mar. 21. Contract for electrical machinery of municipal power house at Los Angeles awarded to Co., amounting to $357,000.

Wheeling & Lake Erie.—*Co. is earning sufficient to cover all fixed charges and 5% on matured notes which are in default and in addition 4% on first pref. stock and still have balance of $200,000.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Anaconda Amalgamated.—†Output of Anaconda and Great Falls Smelters which revert to Ana. is about 265,000,000 lbs. per an. and estimated cost 9¼ cents. Annual profits should be $13,900,000 based on 14½ cent copper. This on 4,332,500 shares is

equivalent to $3.20 per share. The rise of 2 cents per lb. in metal changed situation, is not only important to Anaconda but to Amalgamated, as this Co.'s principal income is from dividends on Anaconda stock. Anaconda is paying dividends at rate of $2 per share or $8,665,000 per an. Amalgamated owns 3,157,862 shares of Anaconda and on this it receives $6,300,000 per an. On production of 225,000,000 lbs. Anaconda only earned about $1.60 per share on 12½c. copper in 1911, yet having surplus of over $15,000,000 continued to pay dividends of $2 per share per an. With 14½c. copper, Co. is earning about $2.60 per share and still paying $2. The probability is that for 1912 Anaconda will produce 250,000,000 lbs., which would permit net of about $3.00 per share and on sustained 14½c. copper market could add to surplus at rate of about $4,000,000 per an. Production of Anaconda Jan. was 2,000,000 lbs. larger than Dec.

Calumet & Ariz.—†In Jan. Co. produced 4,544,000 lbs. copper and derived net profits of about $300,000 which is at rate of $3,600,000 per an. or $5 per share.

Chino.—†One of the active directors states that Co. will be on producing basis of 3,000,000 lbs. per month in Feb. at 7½c. cost.

Greene Cananea.—*Co. declared initial dividend of 25c. a share. The two subsidiary Cos., Greene Con. and Cananea Cen., have each declared dividend of 60c. a share making for the two $960,000. Greene Cananea will get approximately $930,000 of this sum and pay about $606,000 which will leave approximately $325,000 to defray running expenses previously incurred. This is first income since organization and provides substantial working surplus. The Greene-Cananea dividend is payable March 1, books close Feb. 10 and reopen March 1.—†At close of year property placed upon substantial 9c. cost basis.

Goldfield Consol.—*Net for Dec. was $503,476 secured from gross yield of $769,169, an average of $26.41 per ton. Net costs per ton $7.47. The feature of year was reduction in costs of over $3 a ton and treatment of larger tonnage, so Co. was enabled to show larger net—$7,526,000 against $7,347,000—in spite of fact that value of ore fell. Statement is made that ore reserves are estimated at 600,000 tons or about two years' supply, but of somewhat lower grade which is being treated at handsome profit and life of mine is prolonged. Net earngs. for 3 mos. to Dec. 31 was $1,586,738.55. Estimate on Jan. production was $683,000 Expenses placed at $220,000 shows net profits $463,000. Nov. netted $510,596, Dec. $503,476, making total for first quarter $1,477,072 against dividend requirements over $1,750,000.

La Rose.—†During year production was 3,687,532 ozs. silver having gross value $1,962,778. Sundry income brought total for year to $1,989,659. Total expenses $739,089, leaving operating profit $1,250,569. Co. made average profit $104,000 per month, present dividend rate calls for $50,000 per month, which indicates earngs. were double requirements. As result of earngs. maintained and dividends paid surplus on Jan. 2, 1912, was $1,651,322.

Mines Co. of Am.—†First three-quarters of 1911, subsidiary Cos. made a total profit of $636,404, and allowing for general expenses and taxes, net was $611,441. Surplus and reserve as of Dec. 31, 1910, was $2,419,632. Adding profits for the three quarters, total was $3,031,073 as of Sept. 30, 1911. Paid in dividends during same period $515,659, leaving surplus and reserve Sept. 30 $2,515,414. Reports received will permit estimate of profits for last quarter of year. This should be $250,000. Combining figures profit for year $886,000. Co. is paying dividends of 60c. per share per an., which calls for earnings of $510,000.

Ray Consol. and Ray Cen.—†Stockholders will be asked to approve merger of these two properties. The basis will probably be 8 shares of Ray Cen. for one share Ray Consol. The combined ore reserves will amount to 85,000,000 tons, averaging 2:20% copper. Ray Cen's. principal claim is nearly surrounded by Ray Consol. and the solution is merging these properties. Ray Cen has $1,500,000 cash surplus and further financing by Ray Consol. will be obviated. Co. is building an 8,000-ton concentrator which may treat 10,000 tons.

Utah Copper—Nevada Consol.—*Utah Copper for quarter ended Dec. 31, produced 26,818,247 lbs. a new high record, at cost of 7.85c. per lb. In last three months of year Co. earned surplus over dividend requirements of $980,000. On production during this quarter at rate of 107,000,000 lbs. a year and on basis of 13¾c. for metal Co. actually earned at rate of $5 per share. With entire units in operation Nev. will produce nearly 7,000,000 lbs. a month or 80,000,000 to 85,000,000 lbs. per an. A production of 80,000,000 lbs. a year would give $6,000,000 net profits or $3 a share on 14½c. copper figuring costs at 7c. Nev. is paying $1.50 a year in dividends now.

Copper Notes.—†World's stocks show decrease of 136,960 lbs. in six months, and present total of but 232,800,000 lbs., with no prospect of anything but a decrease for several months to come.—*Copper Producers' Asso. reports stocks on Feb. 1 as 66,280,643 lbs., decrease 23,174,052 compared with 89,454,695 Jan. 1.

	Jan., 1912.	Dec., 1911.
Production	119,337,753	122,896,697
Domestic deliv.......	62,343,901	65,988,474
Foreign deliv.........	80,167,904	79,238,716
Total deliv...........	142,511,805	145,227,190

INQUIRIES

This department is to answer miscellaneous questions in regard to the science of investment, method of operating, the customs of the markets, etc. It is intended for the use of subscribers only. Please write questions briefly and, if personal reply is desired, enclose stamped and self-addressed envelope. Address INQUIRY DEPARTMENT.

Profits in Third Avenue.

I have read a number of articles in your magazine in regard to buying stocks of bankrupt corporations. How would this have worked with Third Avenue?—C. N.

Liquidation in bankrupt stocks usually culminates about the time the first installment of the assessment is payable. In most cases this is the bargain hunter's opportunity. In the case of Third Avenue, the stock was selling at about $6 per share on the last day when the first assessment could be paid. It is now selling around $25 after payment of the first assessment amounting to $15 per share. This is equivalent to $10 for the old stock. A purchaser at $6, who paid the assessment, would, within two weeks, have been able to realize about 66 per cent. profit on his original purchase price.

Cotton and Wheat.

As I wish to deal in cotton and wheat I would like to know what month's delivery is the best to deal in. Which month is the most conservative and which month the most speculative?—G. M.

The best rule, in trading in cotton or wheat, is to keep in the most active delivery. The option having the largest trade will enable you to get the closest execution and will, as a rule, have slightly wider swings than an inactive option. It is generally wise to get out of any month's delivery ten days or so before the beginning of that month, as by that time one of the more distant options is likely to be most active. Distant options are more conservative than the nearer deliveries, because there is sometimes the possibility of a squeeze in a nearby option when delivery day comes around.

"Normal Quotation"—Surplus Deposits.

I am trying to learn all I can about stocks, and I find that most of the questions that come up can be answered by referring to back numbers of your magazine. I am going over all the back numbers and indexing all the various articles, bits of information, etc., that I think can be used later. I use the card index system so that I can add to it right along without disarranging any of the other items.

(1) About what is considered a normal or reasonable quotation on stock that pays a dividend of 5 per cent., 6 per cent., 7 per cent. and 8 per cent.?

(2) Can surplus deposits in dollars be obtained from your "Essential Statistics?" —W. A.

(1) It would be impossible to answer this question. The value of a stock depends on a great many other things besides the dividends paid, especially upon the future prospects of the company and upon financial conditions and rates of interest at the time. There is no such thing as a normal quotation for a stock paying a certain per cent. of dividends.

(2) The diagram included each month with the "Market Outlook" shows you the excess deposits and surplus reserves in dollars. You cannot obtain these figures from the per cents. given in the table of "Essential Statistics." You can, however, compare the per cents. from month to month, which answers practically the same purpose. These statistics are given in the form of per cents. in order to save space.

Certificates of Part Paid Stock.

In January, 1909, I bought some stock, and brokers charged 6 per cent. on debit balance until fully paid for. I supposed certificate was left with brokers. Now when I want the original certificate, dated the time the purchase was made, they don't seem to have it, but seem to have had use of my money during this time. What are my rights?—C. N.

When you buy stocks and do not pay for them in full, but leave your broker to furnish a part of the money necessary, the broker does not transfer the certificate to your name. Nearly all the certificates which pass current among brokers, and which they use as collateral for loans at the banks, are indorsed in blank, so that they pass from hand to hand like dollar bills. Your broker could not afford to have a certificate taken out in your name and keep it on hand. He wishes to borrow a part of the value of the certificate from the bank.

The broker has not had the use of your money without compensation. In charging you interest, he has charged you only on your debit balance—that is, he has credited you with the full amount of what you have paid in. This debit balance he has been obliged to furnish out of his own funds, or to borrow from the bank, paying

interest thereon. It is, therefore, only fair that he charge you the current rate of interest on the amount you are thus borrowing from him in order to carry the stock. Six per cent. is, however, a high rate of interest in the present money market.

The fact that a certificate has not been issued in your name, does not affect the case. You can get such a certificate at any time by paying for your stock in full.

Market Leaders.

In Volume 5, page 151, you published a list of active N. Y. Stock Exchange stocks, shown by groups with respect to their relative importance in ordinary market movements.

How would you group these stocks at this time? I judge developments since the article was published have resulted in some more or less permanent changes with respect to the relative importance or influence on the market, of several of the stocks listed at that time.—W. W.

The "Big Six," as this magazine has named them, are: Amalgamated Copper, American Smelting, St. Paul, Reading, Union Pacific and U. S. Steel. Since the article was published, the first three stocks above mentioned have become much less active in proportion to the last three, than was formerly the case, and certain other stocks have become prominent because of special dividends, melon cuttings, etc. However, we doubt if you can now select any six stocks which would be better entitled to be called the "Big Six" than those above mentioned. They were selected not because of activity in any particular year, but with a broad view of past markets for a decade.

It would be desirable to drop Colorado Fuel and Denver & Rio Grande from the group of secondary leaders, and to include in it Erie and Norfolk & Western, which are now much more prominent and active. Of course, these secondary stocks are only roughly classified.

Bargain Indicator.

It seems to me that the Bargain Indicator in The Ticker could be much improved by an extra column giving the earnings on present price for that portion of the present fiscal year which has elapsed since the corporation's last yearly report was rendered, so far as such statistics are obtainable.—B. J.

We thank you for your suggestion, and greatly appreciate the interest of our subscribers in making our magazine as useful as possible.

The table of Railroad Earnings, which we have recently added, gives you the present fiscal year down to the latest date available. Such earnings are not made public in regard to industrial corporations, except in annual reports, with a few exceptions, such as U. S. Steel. Whatever industrial earnings or statements of officers in regard to prospects, etc., come out from time to time, are included in the Investment Digest. You thus get the latest possible information, as well as annual earnings for six years, in the various departments of our magazine.

We do not find it practicable or desirable to attempt to calculate the earnings on present price for any period less than a year. Railroad earnings vary greatly in different months. Some of the Western roads practically earn their entire dividend for the year during a few fall months. A calculation of the per cent. earned on the stock during those few months would be misleading. Also, it frequently happens that the annual report includes some debit or credit which makes an important change in the per cent. earned for the year, as compared with the per cent. shown by calculation from monthly earnings given to the public.

In a word, our present method is the most practical we have been able to study out down to the present time, but we are always glad to get others' ideas, and perhaps in time we may be able to make further improvements.

Stops with the Trend Letter.

I wish you would please explain to me the use of "stops" in connection with your Trend Letter. I understand their purpose, etc., but what I want to know is your rules for using them. That is to say, how many points loss should one take upon his average price? Does the rule apply to both the long and the short side, or do you advise allowing a greater leeway on one side than on the other? Do you advise buying or selling (whichever the case may be), every two points a stock goes against you, or every one point?—J. W.

Regarding the use of stops in connection with the Trend Letter, when the Letter says "SELL on a one or two point scale so that the average risk is limited to three points," you should sell as follows: 66, 67, 68, 69 and 70, with a stop at 71; or at 66, 68 and 70, with a stop at 71. This gives you a selling range of four or five points and limits your risk on the whole lot to three points.

Of course, if the quantity in which you trade is generally 100 shares, you would sell only 20 shares at each figure in a one point scale. On the two point scale, you could sell 40 shares at 66, 20 shares at 68, and 20 shares at 70.

In working on this plan, your stop order is always six points away from the price at which you begin to put out a line of shorts. This method is used when the trend is down and a rally expected, it being impossible to figure just how far the rally will run. In trading on the long side, the method is the same. No greater leeway is allowed for the long than for the short side.

Financial Books.

I would like to procure some books treating on the purchase and sale of stocks and bonds.—J. D.

Please see The Ticker and Investment Digest for August, 1911, page 166. "A Course of Reading for Students"; also our Book Catalogue.

An Uninteresting Controversy

THE youthful writer who described himself as "The only man who dares make public his methods—who has any methods," has issued a peevish announcement to the effect that our references to the source of his knowledge are incorrect, and "that he really could not understand" our voicing those sentiments.

We have written him a letter which, in our opinion, substantiates the statement made by us, and have corrected some misapprehensions on the part of him and his assistants.

As it does not seem as though our readers woud be interested in this controversy, we will devote no further space to the subject. However, any one desirous of reading our reply, may perhaps be able to find the gentleman in question willing to supply copies of our letter.

Book Reviews

Commercial Paper. By Roger W. Babson and Ralph May. Flexible leather, 253 pages, with chart. (Babson's Statistical Organization.) Price, postpaid, $2.08. (For sale by Ticker Pub. Co.)

This book is a practical aid for buyers and sellers of commercial paper. It is intended to show the business man how to make his notes safe and attractive to banks, and also to show the banker or investor how to secure satisfactory paper. Mr. Babson, owing to his banking connections and his long experience in this line, is admirably qualified for the preparation of such a volume, and his collaborator, Mr. May, has had valuable practical experience in the handling of commercial paper.

Some of the subjects covered are: Lending and Borrowing; The Form of Commercial Paper; The Selection of Commercial Paper; The Analysis of a Financial Statement and Report; Rediscounting; How Interest Rates May Be Forecasted, etc., etc. The subject is presented in a simple and non-technical manner, so as to be readily understood by the ordinary reader. It is a book that will be much appreciated by those handling commercial paper.

Readers frequently ask to be referred to responsible brokerage houses. In making such a request, please state what amount you have for investment, or in what sized lots you wish to deal. Also state what large city is located most conveniently to you, or if you have any preference in this regard.

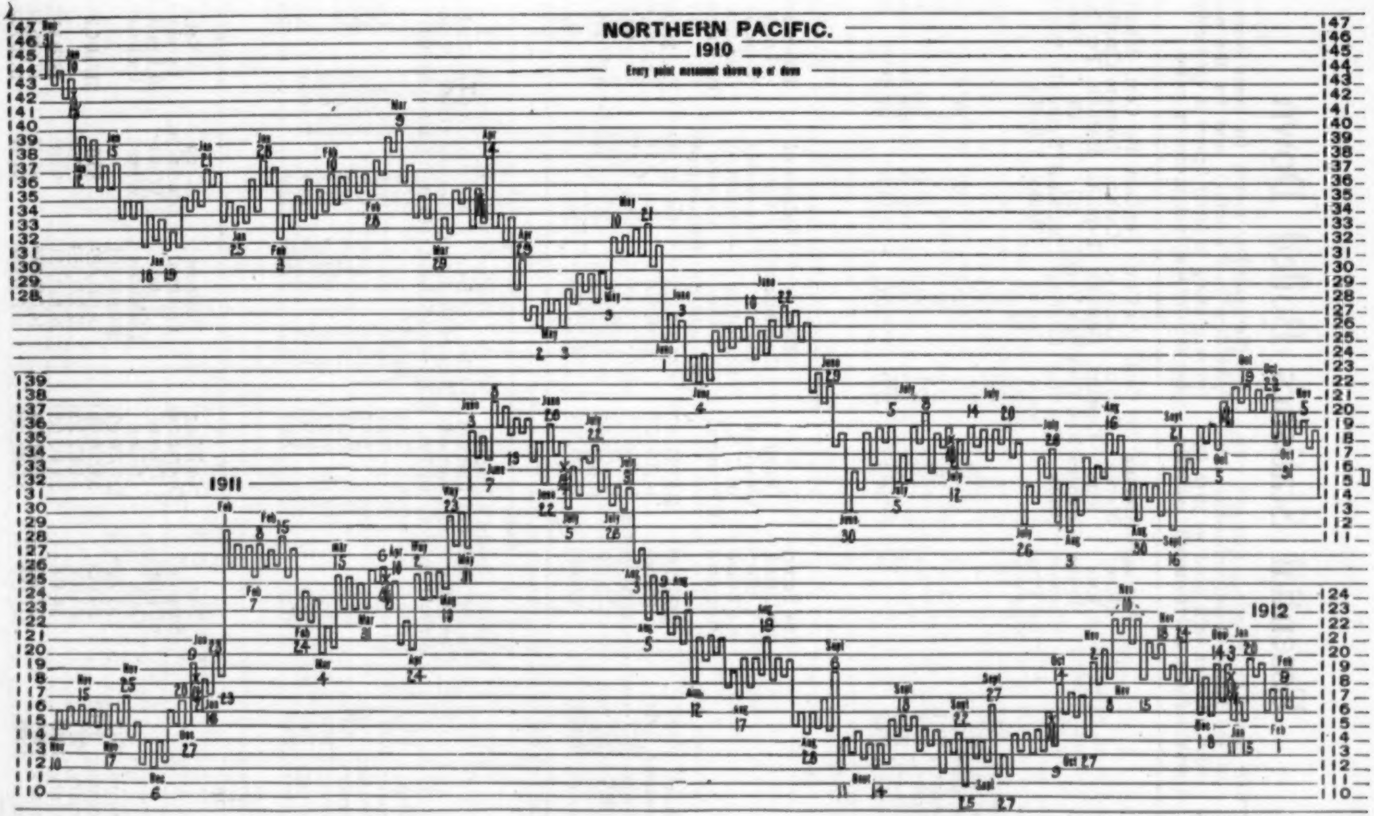
We refer our readers only to such houses as we would consider safe custodians of our own funds, but of course can take no further responsibility.

The Figure Chart

The following figure chart completes the chart on page 108 of the July, 1910, Ticker down to date given below. It is based on the daily average closing bid price of 20 standard railway stocks, and gives a general view of the course of the market since June, 1910:

June 22, 1910.			July 27.		Aug. 17.			Oct. 18.			Feb. 20, 1911.			June 7.					Sept. 27			Nov. 23			Feb. 17 1912.
														23	23	23									
														22	22	22	22								
														21			21								
														20			20								
19*											19			19			19					19			
18	18							18			18	18	18	18			18				18	18	18		
17	17							17	17		17	17	17	17			17				17	17	17	17	17
16	16							16	16		16	16					16	16			16		16	16	16
15	15				15			15	15		15						15	15			15				15
	14				14	14		14	14	14	14							14	14	14	14				
	13	13			13	13		13	13	13	13							13	13	13	13				
	12	12	12		12	12	12	12	12										12	12					
	11		11		11	11	11												11	11					
			10	10	10														10						
			09	09	09																				
			08	08																					
			07	07																					
			06																						

*100 is subtracted from each figure in order to condense the chart. Thus 19 represents 119, etc.


NORTHERN PACIFIC.
1910
Every point movement shown up or down
1911
1912

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation. Under each head we give figures for the *latest* month available, for the preceding month (in some cases the preceding *two* months), and for the month corresponding to *latest figures* in each column, for each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
February, 1912	3⅝	4	27.8	95.1	.....	.....	$34.61
January, 1912	4	4⅛	27.2	96.7	.....	.....	34.47
December, 1911	4½	4⅛	26.1	100.8	15.6	102.9	34.54
February, 1911	4	3¼	27.8	97.5	.....	.....	34.43
February, 1910	4½	3½	27.1	98.9	15.4*	103.6*	34.82
February, 1909	3¼	3¼	26.2	95.5	16.5*	101.4*	35.00
February, 1908	5⅞	4⅛	27.9	100.2	18.7*	103.7*	35.61

*December.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City. (000 omitted)	Balance of Gold Movements —Imports or Exports. (000 omitted)	Balance of Trade Imps. or Exports. (000 omitted)
January, 1912	$296,135*	$15,183,197	$6,347,615	Im. $3,250	Ex. $59,029
December, 1911	66,855	14,204,677	6,092,866	Im. 3,712	Ex. 84,108
January, 1911	84,631	14,499,715	5,969,466	Im. 8,617	Ex. 66,522
January, 1910	143,983	17,174,732	5,925,656	Ex. 4,031	Ex. 10,791
January, 1909	455,133	14,052,390	5,168,090	Ex. 4,445	Ex. 53,136
January, 1908	127,668	11,373,873	4,623,598	Im. 10,355	Ex. 121,117

*$228,164,000 results from division of Am. Tobacco Co.

	Gibson's Index Cost of Living.	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron.	Produc'n of Iron (Tons.) (000 o'td.)	Price of Copper (Cents).	U. S. Production of Copper (Lbs.) (000 o'td.)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)
February, 1912	112.3	8.96	2613	$15.25	....	14.0	......	.....
January, 1912	112.4	8.95	2581	14.90	2,057	14.2	119,337	5,379
December, 1911	110.1	8.98	2597	14.88	2,043	13.5	122,896	5,084
February, 1911	107.3	8.77	2523	15.60	1,759*	12.2	115,696*	3,110*
February, 1910	116.6	9.07	2373	10.66	2,608*	13.3	116,000*	.....
February, 1909	107.7	8.30	2196	16.92	1,797*	12.9	112,000*	5,927†
February ,1908	102.8	8.12	2309	18.62	1,045*	12.9	......	3,603†

*January. †December.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures. Total Liabilities.	Crop Conditions. Winter Wheat.	Net Earnings 10 Leading Railroads.
January, 1912	135,938*	$27,709,606	$19,853,501	....	....
December, 1911	36,143	33,609,940	18,685,429	86.6	$17,056,209
January, 1911	106,924	34,472,706	27,273,559	82.5†	....
January, 1910	38,416	33,443,030	24,813,751	95.8†	18,213,892†
January, 1909	332,513	35,906,000	14,040,675	85.3†	17,646,343†
January, 1908	341,110	15,976,000	46,010,982	91.1†	18,627,785†

*February, 1912, 32,581. †December.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

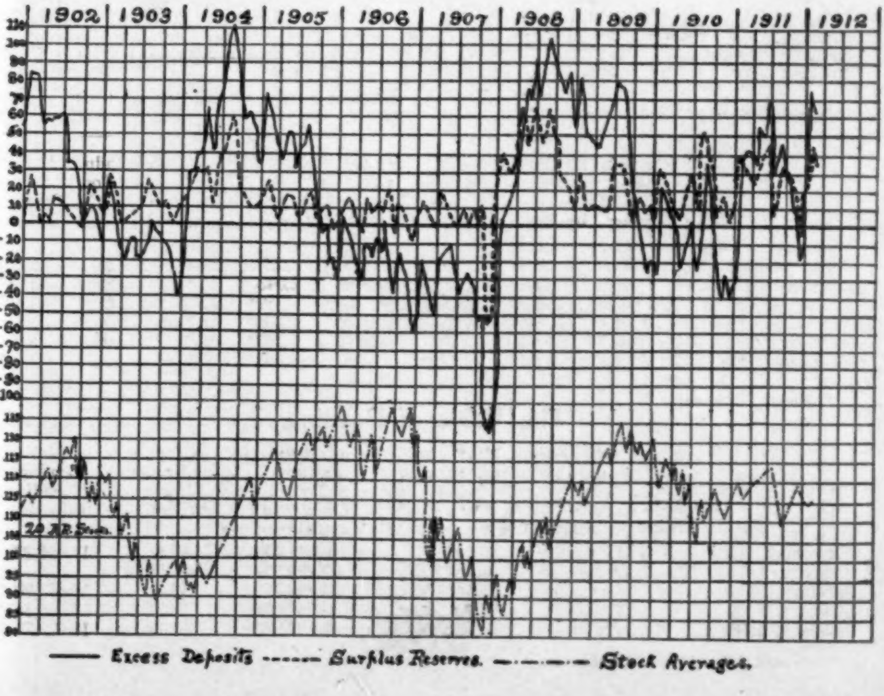
By G. C. SELDEN

THE general course of railroad stocks for ten years is shown in chart form below. The last week given is that ending February 17, 1912.

The diagram also shows, in millions of dollars, the course of excess deposits and surplus reserves of New York clearinghouse banks (excluding the trust companies). The zero line represents equality of loans and deposits.

A dull dragging market in stocks and an improved investment demand with slightly higher prices for bonds, have characterized the trading of the past month. The Street is hoping that the investment demand will soon begin to spill over into the high-grade dividend-paying stocks, but down to this date (February 19) it cannot be said that any clear evidences of this have been visible. Some encouraging conditions have made their appearance, looking at the matter from the broad investment standpoint. The unsettling factors of politics, high cost of living and large bank loans in proportion to the volume of business transactions, are still with us. The stock market never finds clear sailing. The essence of wise investment consists in the balancing of probabilities and the selection of the determining forces from among various conflicting factors.

Politics comes in for serious consideration in any presidential year. In 1910 and 1911 we saw great changes in the relations between the Government and "big business." The Interstate Commerce Commission has been given a degree of authority that would have been inconceivable a few years ago, and has practically taken over the rate-making power from the railroads; two of our biggest corporations have been forced to dissolve; the legal department of the Government has made what can scarcely be called anything less than a sensational attack upon the greatest company of all—the U. S. Steel Corporation;



Cabinet officers have recommended the fixing of prices by the Government and the taking over of the telegraph companies into Government control; the Socialist party has made big gains and has elected the mayors of several large cities; radicalism has had full sway in a large section of the press, in the magazines and in the speeches of various agitators; the managers of our greatest commercial enterprises have been all at sea, not knowing whether they might not be breaking both the civil and criminal law, even in transactions apparently innocent; and smaller business men have timidly taken in sail and practiced even an exaggerated conservatism, until stocks of goods in dealers' hands are at an almost unprecedentedly low level.

What worse can we have? My answer would be "Nothing within the bounds of reasonable probability." No such extreme radical as La Follette or Bryan could be nominated or elected. Our money standard is secure and the adoption of some modification of the Central Bank plan is not improbable. A serious reduction of the tariff is not likely under the present administration, and in any event could scarcely take place before the middle of 1913. Moreover, many of our shrewdest business men believe that the time has now come when a reduction of the tariff and an increased development of our export trade is the one thing most needed to promote general prosperity. Even admitting that the general trend of the times is toward increased radicalism, little, if any, further progress can be made during the year 1912. We have had quite a dose of radicalism already—and there are evidences of some reaction in public opinion.

Accumulation of capital has proceeded to some extent, though still less than might be desired. As shown by the accompanying diagram, the excess of deposits over loans in the New York clearinghouse banks has risen to its highest point since 1909. This represents, to a large extent, contraction in general business activity. Such contraction, however, is not necessarily bearish on stocks, and especially bonds; it is the investment market that makes the first move toward better times, not general business. In both 1904 and 1908, stocks moved steadily to higher prices for months before general business began to recover from its stagnation.

Excess of deposits over loans is the best index to the quantity of capital available for investment purposes. The loss of this excess in December, 1911, was due to strained relations among European nations, which sent a great quantity of capital from New York to Berlin. Most of this capital is still in Europe and could be recalled at a moment's notice; but even without it, our excess deposits have reached a new high mark for three years.

Foreign trade is heavily in our favor. For the first seven months of the fiscal year, our balance of exports has been heavier than ever before, with the exception of the years 1901 and 1908. Selling more than we buy means accumulation of capital—not as yet in very large volume, but the tendency is in the right direction.

Low prices for iron and steel, while of course injurious to that line of business, are an important factor in stimulating other industries. Iron is the material of construction, and when that material can be obtained at low figures, business men are offered a strong inducement to buy and build. This effect may often be some time in coming, especially when political conditions appear threatening, but it is a force to be reckoned with.

European war clouds appear to be gradually clearing—an important consideration to us just now, as continued European prosperity will enable us to keep up our liberal exports and will remove the possibility of further large sales of American stocks from abroad.

The Value of Reading

lies not in the fact that you accept what you read as truth. The big value is that it makes *you* think for yourself, opens the way for you to reach new conclusions and form new ideas in your mind.—*Barstow.*